ABSTRACT

India — Saudi Arabia relations, or Indo-Saudi relations, refers to the bilateral relationship between the Republic of India and the Kingdom of Saudi Arabia. Trade and cultural links between ancient India and Arabia date back to third millennium BC. By 1000 AD, the trade relations between southern India and Arabia flourished and became the backbone of the Arabian economy. Arab traders held a monopoly over the spice trade between India and Europe until the rise of European imperialist empires. India was one of the first nations to establish ties with the Third Saudi State. During the 1930s, India heavily funded Nejd through financial subsidies. Formal diplomatic relations between contemporary India and Saudi Arabia were established soon after India gained independence in 1947. Relations between the two countries have strengthened considerably owing to cooperation in regional affairs and trade. Saudi Arabia is one of the largest suppliers of oil to India, who is one of the top seven trading partners and the fifth biggest investor in Saudi Arabia.

Key words: Culture, economy, commerce, investment, technology, commercial relation, cooperation, privatization.

Introduction

Since its independence in 1947, India has sought to maintain strong ties with Saudi Arabia, an important state and trading base in West Asia. In a major 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. Saudi Arabia is also home to more than 1.4 million Indian workers. India was amongst the few nations to recognize the Soviet-backed Democratic Republic of Afghanistan while Saudi Arabia was one of the key financers and supporters of the Afghan mujahedeen who fought the Soviets and their Afghan allies from Pakistan.

Development of bilateral relations

India's strategic relations with Saudi Arabia have been affected by the latter's close ties 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. The Soviet Union's close relations with India also served as a source of consternation. During the Persian Gulf War (1990–91), India officially maintained neutrality. Saudi Arabia's close military and strategic ties with Pakistan have also been a source of continuing strain.
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 cooperation with India to fight terrorism. In January 2006, King Abdullah of Saudi Arabia made a special visit to India, becoming the first Saudi monarch in 51 years to do so. The Saudi king 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." Both nations also agreed on joint ventures and the development of oil and natural gas in public and private sectors. An Indo-Saudi joint declaration in the Indian capital New Delhi described the king's visit as "heralding a new era in India-Saudi Arabia relations."

**Commerce**

Since the 1990s, India's economic liberalisation has helped bolster trade with Saudi Arabia, which annually supplies to India nearly 175 million barrels (25 million metric tonnes) of crude oil, or a quarter of its needs. In 2006–07 bilateral trade stood at USD 16 billion (USD 3 billion excluding oil) and is expected to double by 2010. India's current exports to Saudi Arabia stand at USD 2.6 billion, while Saudi Arabia's exports are in the range of USD 13.4 billion (USD 1.2 billion excluding oil). India's major exports include basmati rice, textiles and garments and machinery, while it imports organic and inorganic chemicals, metal scrap, leather, gold and oil from Saudi Arabia. Both nations are expected to expand trade and cooperation and joint ventures in telecommunications, pharmaceuticals, health services, information technology, biotechnology, agriculture, construction projects, energy and financial services. Both countries agreed to launch joint ventures for developing gas-based fertiliser plants in Saudi Arabia. India agreed to set up institutes of higher education and research, provide educational opportunities in India for Saudi Arabian students and expand cooperation between India's Council of Scientific and Industrial Research and the Saudi Arabian Standards Organisation (SASO).

India and Saudi trade was almost USD 25 billion last fiscal year with about 2 million Indians working in Saudi Arabia.

**Bilateral Investment**

India and Saudi Arabia are developing countries and need two-sided flow of investment in infrastructure and development. Progressive growth has been observed between the countries in bilateral investment after the liberalization policy of India in 1991 and little bit faster increase in new millennium. Saudi Arabia is ranked at 15th position in country-wise FDI joint venture in India and it is second in Arab countries followed by UAE. Saudi has $21.55 million dollar worth value in FDI joint venture during 2004–05 to 2007–08. Saudi is also among the major FDI investing countries in India, it has invested 422.1 million INR during August 1991 to December 1999 and 690.71 million INR during January 2000 to August 2008. Investment is observed in diverse fields such as paper manufacture, chemicals, computer software, granite processing, industrial products and machinery, cement, metallurgical industries, etc. Indian firms also has shown the interest in Saudi market after new Saudi laws and established joint venture projects or wholly owned subsidiaries in the Kingdom. According to Saudi investment authority survey, India has 56 FDI projects having worth of 304 million SAR during 2005 in Saudi Arabia. These
licenses are for projects in different sectors such as management and consultancy services, construction projects, telecommunications, information technology, pharmaceuticals, etc. Moreover, several Indian companies have established collaborations with Saudi companies and working in the Kingdom in the areas of designing, consultancy, financial services and software development.

**Indo-Saudi Relations**

India and Saudi Arabia enjoy cordial and friendly relations reflecting the centuries old economic and socio-cultural ties. The establishment of diplomatic relations in 1947 was followed by high-level visits from both sides. The King Saud visited India in 1955 and the Prime Minister Jawaharlal Nehru visited the Kingdom in 1956. The visit of the Prime Minister Indira Gandhi to Saudi Arabia in 1982 further boosted the bilateral relations. In the recent times, the historic visit of King Abdullah to India in 2006 resulted in signing of ‘Delhi Declaration’ imparting a fresh momentum in the bilateral relationship. The visit provided the framework for cooperation in all fields of mutual interest. The reciprocal visit by Prime Minister Dr. Manmohan Singh to Saudi Arabia in 2010 raised the level of bilateral engagement to ‘Strategic Partnership’ and the ‘Riyadh Declaration’ signed by the leadership of the two countries captured the spirit of enhanced cooperation in the realms of political, economy, security and defence.

**Recent Bilateral Visits**

**A. Visits from the Saudi side**

1. Visit of King Abdullah bin Abdualziz to India (2006): The landmark visit of King Abdullah bin Abdualziz to India in January 2006 as the Chief Guest of Republic Day celebrations opened a new chapter in the Indo-Saudi bilateral relations. King Abdullah referred to India as his ‘second home’ and signed the ‘Delhi Declaration’, first such bilateral document ever signed by a Saudi King. The ‘Delhi Declaration’ provides a comprehensive road map for the bilateral relations.

2. Saudi Foreign Minister Prince Saud Al Faisal visited India in February 2006 to follow up on King’s visit and visited twice thereafter, in February 2008 and December 2008. The other ministerial visits from Saudi side during 2006-08 included that of Justice Minister, Minister for Higher Education, Minister of Health, Minister of Commerce & Industry and Petroleum Minister.

3. Intelligence Chief Prince Muqrin paid a two-day visit to India on January 15-16, 2009.


5. Prince Salman bin Abdualaziz Al Saud, the Governor of Riyadh, accompanied by a high-level delegation, paid an official visit to India in April 2010.


7. Grand Imam of the Holy Mosque of Makkah Sheikh Abdul Rahman Al-Sudaib paid a five-day visit to India in March 2011. Sudaib is the first ever Imam of Makkah to visit India.
8. Prince Bandar bin Sultan, Secretary General of National Security Council of Saudi Arabia visited India on March 28, 2011, as special envoy of the Saudi King and met Prime Minister Dr Manmohan Singh.

9. Dr. Tawfiq Al-Rabiah, Saudi Commerce & Industry Minister led a 76-member delegation to New Delhi from 4-6 January, 2012, for 9th Indo-Saudi Joint Commission Meeting.

B. Visits from the Indian side

i. Visit of Prime Minister Dr Manmohan Singh to the Kingdom of Saudi Arabia (2010): The momentum generated by extensive bilateral interactions after King Abdullah’s visit culminated in the historic visit of Prime Minister Dr Manmohan Singh to Saudi Arabia from February 27-March 1, 2010. Prime Minister held discussions with King Abdullah and both leaders signed the “Riyadh Declaration” which outlines a “new era of strategic partnership” between the two countries in security, defence, political and economic areas. King Abdullah felicitated Dr Manmohan Singh with the King Abdulziz Sash of the First Order. Saudi Foreign Minister Prince Saud Al Faisal, Commerce Minister Zainal Alireza and Petroleum and Mineral Resources Minister Ali Al Naimi called on Prime Minister Dr Manmohan Singh. Prime Minister addressed the Majlis Al Shura and Council of Saudi Chambers of Commerce and Industry during the visit. The King Saud University conferred Honorary Doctorate on the PM.

ii. In 2008, visits from India included that of the External Affairs Minister Pranab Mukherjee (April 2008), Speaker of the Lok Sabha, Minister of Human Resources Development, Minister of Youth Affairs and Sports, Minister of Petroleum and Natural Gas, Minister of State for External Affairs and National Security Adviser.

iii. In 2009, visits from India included that of MOS for External Affairs E. Ahamed (April 2009), MOS for Railways E. Ahamed to attend the inaugural ceremony of King Abdullah University for Science & Technology (September 2009), MOS for Tourism Sultan Ahmed to attend the “India Tourism Road Show” (October 2009) and Finance Minister Pranab Mukherjee, to co-chair the 8th Joint Commission Meeting (October 2009).

iv. Besides PM’s visit, other visits in 2010 were that of MOS for External Affairs Shashi Tharoor to sign the Haj agreement (March 31, 2010) and Minister of Overseas Indian Affairs Vayalar Ravi (September 24-25, 2010).


Economic & Commercial Relations:
Indo-Saudi economic relations have shown remarkable growth with bilateral trade registering three-fold increase in the last five years. Saudi Arabia is the 4th largest trade partner of India and the bilateral trade was USD 25 billion in 2010-11. The import of crude oil by India forms a major component of bilateral trade with Saudi Arabia being India’s largest supplier of crude oil,
accounting for almost one-fifth of its needs. Saudi Arabia is the 11th largest market in the world for Indian exports and is destination of more than 2.08% of India’s global exports. On the other hand, Saudi Arabia is the source of 5.51% of India’s global imports. For Saudi Arabia, India is the 5th largest market for its exports, accounting for 7.63% of its global exports. In terms of imports by Saudi Arabia, India ranks 7th and is source of around 3.77% of Saudi Arabia’s total imports.

<table>
<thead>
<tr>
<th>Year (April - March)</th>
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*Note: Includes Petroleum and Petroleum products
Source: Department of Commerce, GOI.

**Investment:**
The bilateral investment between the two countries is growing steadily. Since mid-2000, a number of Indian firms have taken advantage of the new Saudi laws and established joint venture projects or wholly-owned subsidiaries in the Kingdom. According to Saudi Arabian General Investment Authority (SAGIA), as of 31.12.2009, it has issued 357 licenses to Indian companies for joint ventures/100% owned entities, which are expected to bring total investment of USD 1619.66 million in Saudi Arabia. These licenses are for projects in diverse sectors such as management and consultancy services, construction projects, telecommunications, information technology, pharmaceuticals, etc. Moreover, several Indian companies have established collaborations with Saudi companies and are working in the Kingdom in the areas of designing, consultancy, financial services and software development. On the other hand, Saudi Arabia is the 45th biggest investor in India with investments from April 2000 to August 2011 amounting to USD 33.12 million. There are a number of Indo-Saudi joint ventures or Saudi owned companies in India, in diverse fields such as paper manufacture, chemicals, computer software, granite processing, industrial products and machinery, cement, metallurgical industries, etc.

**Defence Cooperation:**
After the visit of King Abdullah to India in January 2006 and Prime Minister’s visit to the Kingdom in 2010, there was a new momentum imparted to bilateral ties in the defence area. Both the countries have regularly exchanged defence delegations and sent their armed forces officers for training from time to time.
Cultural Ties:
The Saudi Cultural Days was celebrated in New Delhi from 27 September, 2011 to 1 October, 2011. The Cultural programme included folkloric dance, national costume, traditional meals and habits and lectures. An 88-member delegation from the Kingdom participated in the event. Secretary Tourism, Government of India, led a high-level delegation consisting of State Tourism officers and tour operators to the Kingdom to participate in ‘Road Shows’ in Dammam, Riyadh and Jeddah on 7th, 9th and 11th January, 2012, respectively, to promote tourism.

Indian Community in Saudi Arabia:
The 2 million-strong Indian community in Saudi Arabia is the largest expatriate community in the Kingdom and is the ‘most preferred community’ due to their expertise, sense of discipline, law abiding and peace loving nature. Saudi leadership has appreciated the contribution made by Indian community to the development of Saudi Arabia. The Haj pilgrimage is another important component of bilateral relations with more than 1,70,000 Indians performing Haj every year, third largest contingent performing Haj.

Economic & Commercial Relations:
Saudi-Indo economic relations have shown remarkable growth with bilateral trade registering three-fold increase in the last five years. Saudi Arabia is the 4th largest trade partner of India and the bilateral trade was USD 25 billion in 2010-11. The import of crude oil by India forms a major component of bilateral trade with Saudi Arabia being India’s largest supplier of crude oil, accounting for almost one-fifth of its needs. Saudi Arabia is the 11th largest market in the world for Indian exports and is destination of more than 2.08% of India’s global exports. On the other hand, Saudi Arabia is the source of 5.51% of India’s global imports. For Saudi Arabia, India is the 5th largest market for its exports, accounting for 7.63% of its global exports. In terms of imports by Saudi Arabia, India ranks 7th and is source of around 3.77% of Saudi Arabia’s total imports.
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* Note: Includes Petroleum and Petroleum products

Source: Department of Commerce, GOI.

Investment Opportunities:

Steady growth rates and the restructuring of the Saudi economy have opened up new horizons. As a result, hundreds of sectoral, regional and privatization investment opportunities are being generated every year.

The Saudi government has been consistently pursuing various procedures for privatizing enterprises owned by the government. The main objectives of these procedures are to promote more effective contribution by the private sector to the provision and production of different goods and services, reduce dependence on oil as the main source of income and further increase private investments.

Significant changes in foreign investment regulations were made in 2000 to attract more investors to the Kingdom. There may be further changes in the near future - including additional tax incentives - when Saudi Arabia joins the World Trade Organisation (WTO).

Financial Sector

Saudi Arabia has established a sound regulatory and financial infrastructure based on financial standards and payment systems equivalent to those in major industrial countries. The result is a strong banking sector that benefits from strong management and the most sophisticated technologies. The reliability of this financial infrastructure as well as the size of the Saudi market makes the Kingdom an attractive destination for foreign investment. Credit institutions, and the stock market. Banking is regulated under the Banking Control Law issued by royal decree in 1966. The Council of Ministers issues licenses for the establishment of banks, based on
recommendations from the Minister of Finance after review by The Saudi Arabian Monetary Agency (SAMA) - the central bank.

**Commercial Banks**

The Saudi banking industry remains a consistently strong sector of the Kingdom’s economy. There are 20 licensed commercial banks in Saudi Arabia, of which eleven are majority Saudi-owned and five GCC banks, though only one of the five GCC banks, Bahrain-based Gulf International Bank has opened.

In 2003, SAMA granted four licenses to foreign (non-GCC) banks, namely, Deutsche Bank, HSBC, BNP-Paribas, and JP Morgan.

**The stock exchange**

The Saudi Arabian stock market has developed substantially over the past decade, and is now the largest in the Arab world. A new trading system, Tadawul, was then established to provide real-time trading and clearing and settlement of shares through electronic order routing.

In June 2003 the Saudi Government approved a new capital markets law to create and regulate the first formal stock market in the Kingdom. The law created the Saudi Arabian Stock Exchange (SASE) as well as the Capital Market Authority (CMA) to oversee and regulate the exchange.

The objectives of the CMA will be to protect investor interests, ensure orderly and equitable dealings in securities, and promote and develop capital markets. The CMA will perform a number of functions including the regulation of all investments and securities in the Kingdom, regulating the SASE, protecting the integrity of the securities market against abuses arising from insider trading, reviewing, approving and regulating mergers and acquisitions, and preventing fraudulent and unfair trading practices relating to the securities industry. The CMA is governed by five commissioners who were appointed in July 2004.

Prior to 1997, only Saudi nationals could deal in or own shares, although Gulf Cooperation Council (GCC) nationals were also allowed to own Saudi equities (excluding banks) and certain other stocks.

**Indian Investment**

Indian investments in the Kingdom have doubled over the last five years with the Saudi Arabian General Investment Authority awarding licenses to 565 projects - either joint ventures or 100 percent Indian owned - with Indian investment of more than US$ 2 billion. The Kingdom already hosts several major Indian companies, especially in the sectors such as Information Technology, construction, contracting services, Engineering goods and Agro-products. The outstanding performance by the Indian economy over the recent years is a reflection of its strong economic fundamentals. This year too, the Indian economy has posted good results despite the global financial downturn demonstrating its resilience. Saudi investors are invited to explore the 'low-risk high-return' investment opportunities provided by India in projects related to infrastructure, transportation, telecommunications, power generation, real estate and other lucrative sectors. India is home to one of the largest scientific and technical manpower in the world and has created a niche for its knowledge-based industries. Saudi Arabia has also accorded high priority
to KBIs and given India’s proven track record in this area, we see immense potential and synergies emerging in the near future. We are pleased that India and Saudi Arabia have expanded their bilateral cooperation in the field of Science & Technology with new collaborations in the advanced areas of Information Technology, Biotechnology, Nanotechnology and Space technology.

The Indian Community in Saudi Arabia, 1.8 million strong and ever increasing, has always played an important role in building bridges between India and Saudi Arabia. The leadership and the people of Saudi Arabia explicitly acknowledge and appreciate the contribution of the Indian community to the growth and development of the Kingdom. The Indian economy, too, has benefited from the remittances sent by Indians residing in the Kingdom which has augmented India’s forex reserves thereby strengthening the economy.

India and Saudi Arabia enjoy cordial and friendly relations reflecting centuries old economic and socio-cultural ties. These ties increased many folds following the visit of the Custodian of Two Holy Mosques King Abdullah to India in 2006, and the visit of HE Prime Minister of India to the Kingdom in 2010. However, there is huge scope for expansion of economic and commercial ties between India and Saudi Arabia.

During the financial year 2009-10, bilateral trade between India and Saudi Arabia reached US$ 21 billion. India is the 5th largest market for Saudi exports, while Saudi Arabia is the 3rd largest market in the world for Indian import. Since Saudi Arabia is the fastest growing economy in the Middle East offering investment opportunities, hundreds of Indian companies have invested in Saudi Arabia and established joint ventures with Saudi partners in different sectors.

The import of crude oil by India forms a major component of bilateral trade with Saudi Arabia being India’s largest supplier of crude oil, accounting for almost one-fifth of its needs. Energy cooperation is an important aspect of bilateral economic ties and both sides are working towards the strategic energy partnership including long term supply of uninterrupted supply of crude oil by Saudi Arabia to India to meet its growing energy needs; cooperation and joint ventures in upstream and downstream oil and gas sectors in India and Saudi Arabia.

<table>
<thead>
<tr>
<th>Year (April-March)</th>
<th>Imports from Saudi Arabia</th>
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</tr>
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<td>2003-2004</td>
<td>737.77</td>
<td>1,123.31</td>
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<tr>
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<td>1831.47</td>
<td>774.29</td>
<td>2605.76</td>
<td>12.23</td>
</tr>
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<td>2419.24</td>
<td>742.50</td>
<td>3161.74</td>
<td>-4.11</td>
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<tr>
<td>2000-2001</td>
<td>621.12</td>
<td>822.94</td>
<td>1444.06</td>
<td>10.83</td>
</tr>
<tr>
<td>2001-2002</td>
<td>463.99</td>
<td>826.43</td>
<td>1290.42</td>
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Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

### Conclusion

Indians played a major role in the economic and social life of the Saudi people till around 35-40 years ago. This period pertained to the pre-oil boom when the Saudi economy was under developed and most of its people eked a marginal existence. The visits of Indian Haj vessels bringing in large quantities of food and thousands of relatively affluent pilgrims from India used to be a source of great excitement among the local people. A number of Indian merchants flourished in the Kingdom controlling the cereals and spices trade.

In the wake of the oil boom, there was a steady increase in the employment of Indian nationals in Saudi Arabia. Thus by 1983 the number of Indian workers in Saudi Arabia had increased to 2,70,000 from a mere 15,000 in 1975; by 1990 the number had raised to 6,50,000. In the wake of the Gulf crises in 1990-91, with the mass exodus of the Yemeni workers from Saudi Arabia, the Saudi employers recruited Indians to replace them, taking the total number to 15 lakhs by the close of the 20th century. By the year 2005, the Indian community in Saudi Arabia is 14.25 lakhs, the largest Indian passport holding community abroad, constituting 20 percent of the expatriate community of Saudi Arabia, which is somewhere around 70 lakhs.
• There is a need to explore the use of the term ‘strategic partnership’ to define India-Saudi Arabia relations as they currently exist.

• The benefits of a strengthened strategic partnership for both India and Saudi Arabia and the impacts of this on regional actors in India’s neighbourhood, such as China and Pakistan; the balancing acts that both countries have to manage (for the Saudis, between India and Pakistan, and for the Indians, between Saudi Arabia and Iran).

• India must strive to engage with countries in the region in such a manner that developments such as the Arab Spring do not impact the fundamental basis of its relations with those countries. People-to-people relations need to be consolidated so that bilateral relations are not overly influenced by regime changes.

• The bilateral relationship would remain dominated by economic factors, with energy trade being the most important element of this.

References


8. [1]

9. [2]
10. ^ [3]


