

The Bilateral Trade Relations between India and Saudi Arabia

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Abstract: India has historically had close economic ties to the Saudi region along its eastern shores. India-Saudi Arabia relationship is growing stronger by the day as both realize the potential and importance of each other. Trade and commerce is the most important pillar of the India-Saudi Arabia relationship. Success of high volume of trade and commerce between India and Saudi Arabia revolves around a high degree of trade and economic complementarity as both caters to each other's economic demands. Saudi Arabia, with large hydrocarbon reserves are crucial for India's energy requirements while the region has been a good market for Indian products. It has grown stronger, attaining the level of a strategic partnership and incorporating more political and security content. Prime Minister Narendra Modi's visit to Riyadh in April 2016 further bolstered the bilateral trade relationship, laying the basis for deepening existing ties and broadening the parameters of cooperation. In this article we are discussing only regarding bilateral trade between India and Saudi Arabia.

Keywords: India, Saudi Arabia, Trade, Export, Import, Tariffs.

1. INTRODUCTION

The relationship between India and the Saudi Arabia states began to reverse upon the discovery of oil and Indian independence. The balance of trade began to shift more in favor of the Saudi Arabia States who exported oil, 17% of the crude to India in May 2017. Saudi Arabia is the 8th largest market in the world for Indian exports and is destination to More than 2.44% of India's global exports.

The economies of both countries have been undergoing a process of liberalization & reforms. Being member of WTO, both countries are in process of transforming their economies in World Trade frame work. With vast opportunity India has a population of over 1.3 billion, According the 2017 revision, published by UN Department of economic and social affair. The size of population and labor are next to China only .The steady and continuous reforming in India has resulted high change in economy. In the fiscal year ending March 2017, annual growth rate was 7.1 percent that was reduced compare to previous because of demonetization. India is becoming a country of unlimited economic opportunities as it has large human resources, huge market for expansion. As far as Saudi Arabia is concerned, it has a population of only 32.28 million .10.5 million are non-Saudi expatriates in which 3.06 million expatriates belong from India. However Saudi Arabia is a unique country which holds about a quarter of global petroleum reserve. It also contains about three percent of global reserves of gas and vast petroleum production capacity. Saudi Arabia is the largest producer and exporter of petroleum in the world. The enormous petroleum reserve and vast petroleum capacity gives Saudi Arabia significant power and oil revenue in the global oil market. Development induced growth in India during the 1990s, resulted in higher energy consumption, increasing oil demand and a growing reliance on oil.

“A new era” in the bilateral trade relationship came when in Jan 2006, King Abdullah visited India . The late King's visit culminated in the signing of the historic Delhi Declaration (2006), which imparted fresh momentum to the relationship and supplied the framework for developing more expansive ties. Four years later, then-Prime Minister Manmohan Singh traveled to Saudi Arabia, where the two sides' agreed to elevate their bilateral engagement to a “Strategic Partnership,” articulated in the Riyadh Declaration (2010). Crown Prince and now King Salman's trip to India in 2014 sealing deals in the energy, business and defense sectors — yet another milestone in the progressive development of bilateral ties. The

most recent major thrust forward in the bilateral relationship came when Indian Prime Minister N. Modi paid a two-day visit to the Kingdom in April 2016.

2. RESEARCH METHODOLOGY

The Article made of secondary data represents from government statistics, Journal and published e-research reports from different organizations, international agencies.

Objective of study:

India’s economy is increasing at the fastest rate in the world, now making it the globe’s third –largest energy consumer. On the other hand India is now a large exporter of products like mineral fuels, oils, distillation products, cereals, electrical, electronic equipment etc.

India has tried to diversify its sources of crude oil, but due to its proximity to Gulf, it still relies a great deal with Saudi Arabia as it major supplier. The presence of over 3.06 million Indian immigrants in Saudi Arabia makes the relations between both countries.

The report examines in some detail regarding bilateral trade between India and Saudi Arabia.

Bilateral Trade:

The trade cooperation is perhaps the most active and significant component of the Saudi Arabia and India relationship. A pattern of interdependencies is created as the two regions have expanded their traditional trade ties into a sustainable partnership. Saudi Arabia today is our 4th largest trade partner (after China, USA and UAE). Due to energy (oil and LPG), balance of trade (BOT) is in Saudi Arabia’s favor; services provided by the Indian workers, who remit approximately \$12-15 billion annually, almost equalizes the balance of payment (BOP).

India’s imports from Saudi Arabia (\$US millions)

2001-02	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
621	19,470	19,973	17,098	20,385	31,818	33,998	36,404	28,108	20,321	19,972

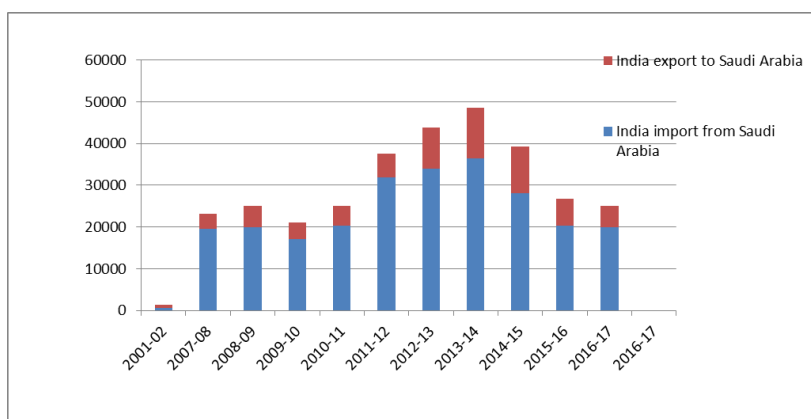
India’s exports to Saudi Arabia(\$US millions)

2001-02	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
823	3,711	5,110	3,907	4,684	5683	9,786	12,219	11,161	6,394	5,110

Sources: Government of India, Department of Commerce, Import Export Date Bank, updated October 20, 2017

During this period, our imports from Saudi Arabia reached USD 19.97 billion, showing a decline of 1.7% over previous year(USD 20.32 billion) and in 2015-16 import was USD 20.32 billion, registering a decline of 27.71% over 2014-15 (USD 28.11 billion) where as our exports to Saudi Arabia reached USD 5.11 billion, showing decline of 20.08% over previous year(USD 6394) and in 2015-16 it was USD 6.40 billion registering a decline of 42.71% over previous year (USD 11.16 billion). Import from Saudi Arabia in India averaged 47.40 INR billion from 1991 until 2017, reaching an all time high of USD 36.4 Billion in March 2014.

Total Trade India and Saudi Arabia((\$US millions)

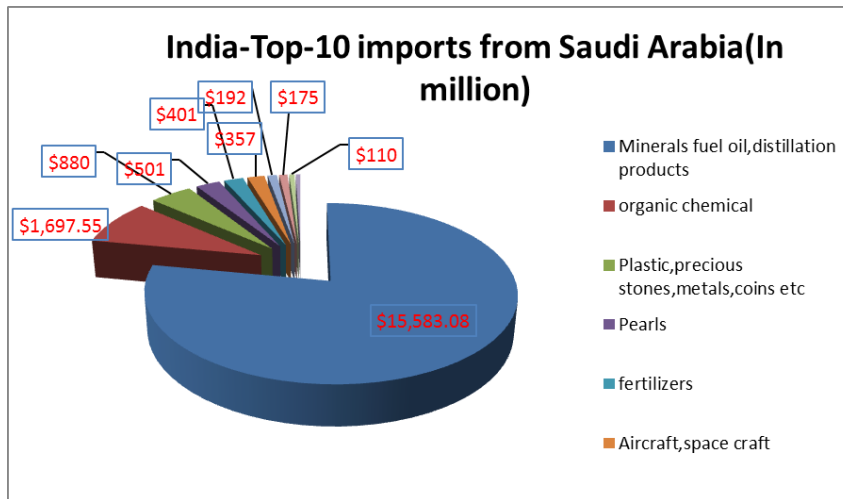


Sources: Government of India, Department of Commerce, Import Export Date Bank, updated October 20, 2017

The value of India Saudi Arabia bilateral trade during 2016-17 decrease to USD 25.082 billion, a 6.5% fall from 26.082 billion and 2015-16 decreased to USD 26.71 billion, a 31.97% fall from USD 39.27 billion in 2014-15. The decline can be attributed mainly to low petroleum and commodity prices and lower global demand.

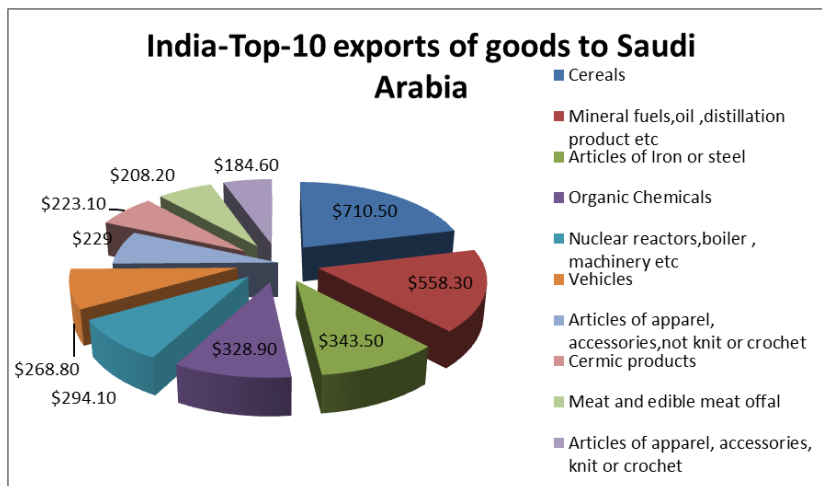
Saudi Arabia is the 8th largest market in the world for Indian exports and is destination to More than 2.44% of India’s global exports. On the other hand, Saudi Arabia is the source of 5.34% of India’s global imports. For Saudi Arabia, as per 2015 data, India is the 4th largest market for its exports, accounting for 9.43% of its global exports. In terms of imports by Saudi Arabia, India ranks 7th and is source of around 3.43% of Saudi Arabia’s total imports.

India’s top 10 imports of goods from Saudi Arabia as follows.



Sources: Government of India, Department of Commerce, Import Export Data Bank, updated October 19, 2017

It is very clear Mineral fuel oil is top most import product from Saudi Arabia. In India, we produce only 22 percent of our mineral fuel requirement and the rest is imported at a huge cost. The Kingdom is India’s economic partner in the major imports of mineral fuel and oils make Saudi Arabia as India’s 4th largest trading partner. The important sector that boosts Indian economy is the mineral sector and although the value of mineral production is increasing at a gradual pace, which cannot be fulfilled unless, India makes stronger bi-lateral relationship foundations in the Middle East. Apart from Mineral fuel we import organic chemical, Plastics, Pearl, fertilizers, Aircraft etc.



Sources: Government of India, Department of Commerce, Import Export Data Bank, updated October 20, 2017

India is one the leading exporters of cereals and the second largest producer of rice. Being agriculture –driven country, India depends largely on its produce of cereals and so does the importer country such as Iran, Saudi Arabia, Indonesia, UAE, Bangladesh. According data India exports 12.79% to Saudi Arabia of its export. In addition India imports small amounts of refined products but is a large exporter. This is due to a number of large refineries in India, which buy the crude oil from producers, refine it within India, then export the surpluses.

Bilateral trade may improve through free trade agreement. It is expected to reduce tariffs and duties, extend existing trade frameworks, and lead to more intensive economic engagement. There is a large market in the Saudi Arabia for both industrial and agricultural products from India. Additionally, an FTA could prove helpful in providing opportunities for the fast-growing micro, small, and medium-sized enterprises (MSMEs) both in the Kingdom and in India.

As Saudi Arabia is the member of G.C.C. India and the G.C.C. signed the Framework Agreement on Economic Cooperation in August 2004. Since then, they have held two rounds of negotiations. Talks proceeded with the expectation of covering trade in goods, service, and investment. In a September 2015 meeting with her G.C.C. Arab counterparts, External Affairs Minister Shushma Swaraj referred to the Gulf as “an extended part of our neighborhood,” called for early finalization of the India-G.C.C. Free Trade Agreement, operational zing of the Framework Agreement, and extended an open invitation for the Gulf Arab countries to participate in the Modi government’s “Make in India” campaign.

3. CONCLUSION

Since 2000-01, India-Saudi Arabia trade has been on a growth trajectory. The Saudi Arabia share of India’s exports has nearly doubled in the span of a mere decade (2005-2016). However, Indian exports to the Saudi Arabia have fallen over the past two years. Nevertheless, the value of India’s exports to the Saudi Arabia countries in 2015-16 was more than ten times greater than in 2000-01 as imports mostly consumables and manufactured goods from India. India imports oil and gas based natural resources and downstream products, such as chemicals and fertilizers. The balance of trade is conveniently loaded in favor of the Saudi Arabia due to the critical demand of petroleum and chemical-based products in India. However free trade agreement would help to rectify such imbalances.

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