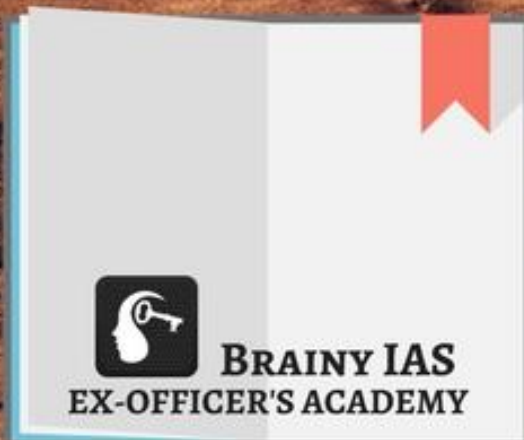




**IASBUZZ**

**MARCH 2019 EDITION**

**CURRENT AFFAIRS CHISELED AND  
CRAFTED AFTER INTENSE RESEARCH**





**BrainyIAS (84594-00000)**

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# POLITY AND GOVERNANCE

## Shift in India's Indus Waters Policy

### Relevancy

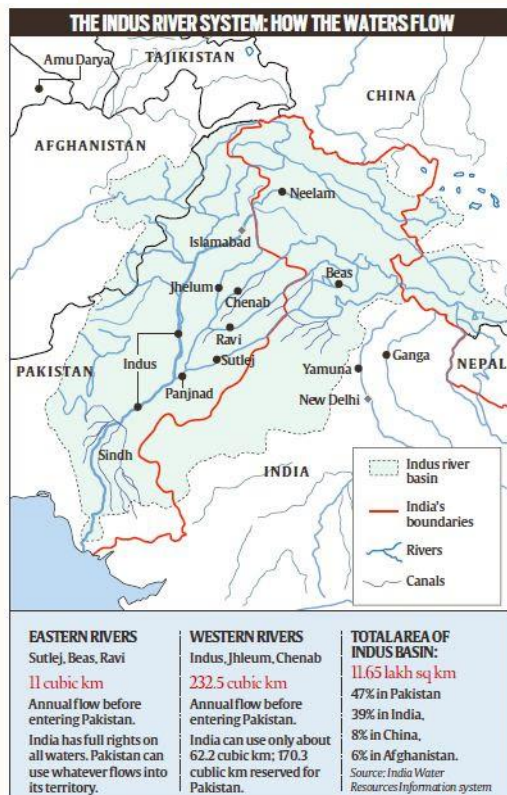
- ✓ G.S. Paper 2 (Governance)

### What is the issue?

- ❖ Following the terror attack in Pulwama, the government has decided to stop India's share of waters in the Indus river system from flowing into Pakistan.
- ❖ The decision seems to indicate a new policy direction from the government in terms of the Indus Water Treaty.

### What does the Indus treaty provide for?

- The Indus Waters Treaty of 1960 governs Indus water sharing between India and Pakistan.
- The Treaty gives India full control over the waters of the three Eastern rivers - Beas, Ravi and Sutlej.
- The waters of the Western rivers - Indus, Jhelum and Chenab - flow "unrestricted" to Pakistan.
- India is allowed to make some use of the waters of the Western rivers too under the provisions spelt out in the Treaty.
- This includes use of water for purposes of navigation, power production and irrigation.
- The two countries have permanent Indus Water Commissions that meet regularly, to share information and data, and resolve disputes.



### How has water sharing been?

- **India** - Historically, India has not been utilising its full claims, neither on the Eastern nor on the Western rivers.
- On the Western rivers specifically, there has been no strong demand for creation of new infrastructure, either for hydroelectricity or irrigation.



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- This is because the demand for irrigation has gone down over the years as many farmers in J&K moved to horticulture, from traditional crops.
- So, in effect, India has been letting much more water flow to Pakistan than has been committed under the Treaty.
- **Pakistan** - With India's under-utilisation of its share, Pakistan has benefited more than it is entitled to under the Treaty.
- More than 95% of Pakistan's irrigation infrastructure is in the Indus basin - about 15 million hectares of land.
- It has now become the world's largest contiguous irrigation system, comprising over 60,000 km of canals.
- Three of Pakistan's biggest dams, including Mangla, which is one of the largest in the world, are built on the Jhelum river.
- These dams produce a substantial proportion of Pakistan's electricity.

### What was India's policy shift in 2016?

- After the devastating floods of 2014, the need for storage infrastructure as a flood-control measure was increasingly felt.
- But more seriously, a policy shift had happened in 2016, following the terrorist attack on Army camp in Uri.
- India had temporarily suspended regular meetings of the Indus Commissioners of the two countries after the attack.
- India decided to change the status quo and use more waters of the Indus rivers, which was also a measure to hurt Pakistan's interests.
- India took up the task of revival of several projects that were either suspended or had remained on paper for several years.
- Many of these projects were in Jammu and Kashmir; others were in Punjab and Himachal Pradesh.
- Some of these projects were put on fast-track mode, declared national projects, and money was sanctioned to resume works.
- The notable ones are:
  - i. 800MW Bursar hydroelectric project on the Marusudar river, one of the tributaries of the Chenab, in Kishtwar, J&K
  - ii. Shahpur-Kandi project in Gurdaspur, Punjab
  - iii. 1,856-MW Sawalkot project on the Chenab in Jammu and Kashmir
  - iv. Ujh project in Jammu and Kashmir
    - Bursar will be India's first project on the Western rivers to have storage infrastructure.
    - In all, more than 30 projects are under various stages of implementation on the Western rivers, having got the final approvals.
    - Besides these, other measures included -
      - i. finalisation of a revised detailed project report
      - ii. granting of prompt environmental clearance
      - iii. disbursal for attractive rehabilitation packages for affected families

### What are Pakistan's claims?

- Even before India's policy shift in 2016, Pakistan had been complaining of being denied its due share of waters.
- It has maintained that India had violated the provisions of the Treaty, especially in reference to many of the projects on the Indus rivers.
- It feels that the Treaty had failed to protect Pakistan's interests and India had managed to manipulate the provisions in its favour.
- Resultantly, increasing number of objections was raised by Pakistan on the projects that are coming up in India.
- These include the Ratle project, the Pakal Dul dam, and Sawalkot, among others.



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- But India observes that the main objective was to delay these projects, thereby forcing a cost escalation and making them economically unviable.

#### **What is India's recent decision?**

- India has decided to exert much greater control over the waters of the Indus basin.
- However, it will continue to adhere to the provisions of the 1960 Indus Waters Treaty.
- A high-level task force was set up under the guidance of the Principal Secretary to the PM.
- This will ensure that India makes full use of the waters it is entitled to under the Treaty.



# ECONOMY

## RBI's Interim Dividend to the Government

### Relevancy

- ✓ G.S. Paper 3 (Economic development)

### Why in news?

- ❖ The RBI recently approved an interim dividend (surplus transfer) payout of Rs 28,000 crore to the government.

### How does the RBI generate surplus?

- **Income** - A central bank's income comes largely from the returns it earns on its foreign currency assets.
- This could be in the form of bonds and treasury bills of other central banks or top-rated securities, deposits with other central banks.
- Other sources include the -
  - i. interest it earns on its holdings of local rupee-denominated government bonds or securities
  - ii. management commission on handling the borrowings of state governments and the central government
- The RBI buys these financial assets against its -
  - i. fixed liabilities such as currency held by the public
  - ii. deposits issued to commercial banks
- **Expenditure** - A central bank's expenditure is mainly on the printing of currency notes.
- Other components include the expenditures -
  - i. on staff
  - ii. on commissions to banks for undertaking transactions on behalf of the government across the country
  - iii. on commissions to primary dealers, including banks, for underwriting some of the borrowings
- **Surplus** - Generally, the central bank's total expenditure is only about a seventh of its total net interest income.
- This implies that it certainly generates a large surplus out of the excess of income over expenditure.

### What is an interim dividend?

- The surplus transfer is generally done in early August, after the completion of the bank's July-June accounting year.
- The RBI had thus already transferred Rs 40,000 crore to the government in August 2018.
- So the current one is an interim transfer, in addition to the usual one.
- With this, the government will get a total of Rs 68,000 crore from the central bank in the current fiscal.

### Why is it transferred to the government?

- The central bank transfers its surplus to the government under the provisions of Section 47 of the Reserve Bank of India Act, 1934.
- The Government of India is the sole owner of India's central bank, the RBI.
- So the government can make a legitimate claim to this surplus.
- Also, by virtue of its role as the manager of the country's currency, the RBI generates more surplus than the entire public sector put together.
- So this surplus, in effect, belongs entirely to the country's citizens.
- Given this, the RBI pays the remaining surplus after setting aside what is needed to be retained as equity capital to maintain its creditworthiness.

### Is giving extra dividends a problem?



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- Much of the surplus that the RBI generates comes from the interest on government assets, or from the capital gains through other market participants.
- When this is paid to the government as dividend, the RBI is actually putting back into the system the money it has made from it.
- Logically, there is no additional money-printing or reserve-creation involved.
- But when the RBI pays an additional dividend to the government, it has to create additional permanent reserves i.e. it has to print money.
- Instead, to compensate for the special dividend, the RBI would have to withdraw an equivalent amount of money from the public.
- The RBI does this by selling government bonds in its portfolio.
- Besides, all central banks worry that large payouts could limit their ability to create buffers to make up for the impact of a crisis.

### What does surplus transfer say about government finances?

- This is the second year running that the RBI has paid an interim dividend to the government.
- Last year, the RBI paid out an interim dividend of Rs 10,000 crore.
- Notably, during periods of high growth as seen during the last decade, the government does not make demands on RBI's surplus.
- But the government has asked for an interim surplus for the financial year 2018-19 as well as the amount retained by the RBI from surpluses of the previous two years.
- So surplus transfer from the RBI does indicate that the government finances are under pressure.
- The current transfer is expected to help keep the fiscal deficit at the projected 3.4% of GDP for 2018-19.

### How is it elsewhere?

- Almost all central banks, the US Federal Reserve, Bank of England, Reserve Bank of Australia and Germany's Bundesbank are owned by their respective governments.
- They have to transfer their surplus or profits to the Treasury, or the equivalent of India's Finance Ministry.
- The UK has a formal Memorandum of Understanding on the financial relationship between the Treasury and the Bank of England.
- It lays down a clear framework for passing on 100% of net profits to the government.
- The US Fed too, transfers all its net earnings to the Treasury.

## Easing Of Conditions For Angel Tax

### Relevancy

- ✓ G.S. Paper 3 (Economic development)

### Why in news?

- ❖ Following the concerns raised earlier, the Centre has decided to ease the conditions for angel tax/taxing investments in start-ups.

### What is angel tax?

- An angel investor is one who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.
- In simple terms, angel tax is the tax levied on such investments made by external investors in startups or companies.
- At times, capital is raised by unlisted companies via issue of shares where the share price is seen in excess of the 'fair market value' of the shares sold.
- So the entire investment is not taxed but only the amount that is considered above "fair value" valuations of the startup.



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- Currently, funds from angels are subjected to over 30% tax if it is more than the fair market value (FMV).
- It was introduced in the 2012 Union Budget to arrest laundering of illegal wealth by means of investments in the shares of unlisted private companies at extraordinary valuations.
- However, under certain conditions, exemption to startups is offered under Section 56 of the Income Tax Act.

### **What are the concerns with it?**

- The share issued to an investor has to be valued to decide whether the price is in excess of fair value.
- The valuation of a startup is usually based on a commercial negotiation between the company and the investor.
- It is based on the company's 'projected earnings' at that point in time.
- However, as startups operate in a highly uncertain environment, many are not always able to perform as per their financial projection.
- Equally, some companies exceed the projection if they are doing well.
- Resultantly, startups are often valued subjectively and it causes differing interpretations of "fair value".
- Startups are thus vulnerable to unduly high taxes because the taxman feels the investment is too high over their valuation.

### **What are the new proposals?**

- The proposals aim to simplify the process of exemptions for Startups under section 56 of the Income Tax act.
- An entity shall be considered a startup up to 10 years from its date of incorporation / registration instead of the existing period of 7 years.
- The turnover for any of the financial years since its incorporation/registration should not have exceeded Rs 100 crore (instead of the existing Rs 25 crore).
- All investments into eligible startups by Non-Residents, Alternate Investment Funds-Category I registered with SEBI shall also be exempt under Section 56 of IT Act.

### **How will it benefit?**

- Stringent rules on angel tax have had an adverse effect on investor confidence in startups.
- So the relaxations will help the start-ups which are in desperate need for capital to fund their growth and other business requirements.
- Further, the new rules are set to be applied retrospectively.
- So many young companies that have received notices from the IT Department in the last few years will be relieved by the change in rules.

### **What are the continuing concerns?**

- Companies wishing to make use of the latest exemption will first have to be registered with the government as start-ups.
- To be classified so, a company should not have invested in any land unrelated to the business, vehicles worth over Rs.10 lakh, or jewellery.
- These requirements (aimed at preventing money-laundering) can lead to considerable bureaucratic delays and rent-seeking.
- Also, the concerns with calculation methodology on evaluating the share prices against the fair market value are not addressed yet.
- Notably, it is impossible to know the market value, let alone the fair market value, of shares that are not openly traded in the marketplace.
- So despite the relaxations, the rules can again cause the old problem of arbitrary tax demands by tax authorities.
- In all, unless the government addresses the arbitrary nature of the angel tax, the damage to investor confidence may remain.





## Highlights of the Budget 2019 announced by Finance Minister

### Piyush Goyal

The government has lowered customs duty on import of parts and components of such vehicles to 10-15 per cent to promote domestic assembling of electric vehicles.

- Goyal said more than 70 per cent of Mudra yojna beneficiaries were women. He said the Narendra Modi-led government has also taken several steps to empower women, including the Pradhan Mantri Matritva Yojana and providing 26 weeks of maternity leave.
- Benefit of rollover of capital tax gains to be increased from investment in one residential house to that in two residential houses, for a taxpayer having capital gains up to 2 crore rupees; can be exercised once in a lifetime.
- Finance Minister proposed a full tax rebate for those earning Rs 5 lakh for the next financial year.
- Rs 76,800 crore allocated for welfare of SCs/STs. Budget allocation to North East region increased by 21 per cent to Rs 58,166 crore for 2019-20.
- Tax collection increased to Rs 12 lakh crore this year, returns filed to 6.85 crore.
- The national centre for artificial intelligence is under consideration. Along with that a national AI portal will be developed soon.
- Defence budget for the first time has increased to Rs 3 lakh crore and additional funds will be provided. Over 100 operation airports in the country and domestic passenger traffic has doubled in last five years.
- Mega Pension Yojana, namely Pradhan Mantri Shram Yogi Mandhan, to provide assured monthly pension of 3000 rupees per month, with contribution of 100 rupees per month, for workers in unorganized sector after 60 years of age.
- More than 70 percent of the beneficiaries of the PM Mudra Yojana are women and it additionally helps them set up businesses and other entrepreneurship related activities.
- Gratuity limit increased from 10 lakh to 30 lakh rupees.
- Rashtriya Kamdhenu Ayog to look after effective implementation of policies and schemes for the welfare of cows.
- Rs 60,000 crore allocated for MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act).
- The current account deficit is likely to be only 2.5 percent of the GDP this year, Finance Minister said.
- Markets open flat, Sensex opens 10 points up and NIFTY starts the day with a gain of 15 points ahead of presentation of Budget 2019.
- The farm relief package may cost anywhere between Rs 70,000 crore to Rs 1 lakh crore, according to



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sources.

- Bankers also expect government to announce steps that may help the industry tackle the bad loans menace.
- Manoj Sinha, Minister of State for Railways said, "The way the government has increased the investment in railways, from installing CCTV cameras to WiFi, I believe further investment in railways will certainly be increased.
- "We as a government have restored fiscal sanity which the previous government had completely violated," says Jayant Sinha on Budget 2019.
- The rupee depreciated by 9 paise to 71.17 in early trade on the forex market amid strengthening of the American currency and caution ahead of interim budget.
- Income support scheme for distressed farmers who have seen their incomes stagnate because of plunging prices, barely enough to pay for loans and input costs.
- The Budget documents will contain revenue and expenditure projections for the entire 2019-20 fiscal year beginning April 1, but a 'Vote on Account' will seek Parliament nod for the expenditure side.
- Fitch Ratings warned of a second consecutive year of fiscal slippage in the event of Finance Minister Piyush Goyal resorting to populist spending to win over lost vote base.
- Women taxpayers are expected get higher basic exemption of Rs 3.25 lakh or even at par with senior citizens, as per sources.
- Income tax exemption thresholds may raise. Basic exemption limit may be raised from Rs 2.5 lakh to Rs 3 lakh for individuals of less than 60 years of age and from Rs 3 lakh to Rs 3.5 lakh for those aged 60 years or more but less than 80.
- Reduction of GST expected on electric vehicles, which is likely to generate jobs and also would attract investors.
- The government could target the poorest of the poor (possibly 40 per cent of the BPL population) based on the 2011 census.
- Piyush Goyal may also look at higher interim dividend from RBI and deferring subsidy payouts on fertiliser as well as LPG and kerosene to provide funds for the populist schemes.
- Allocation for micro, small and medium enterprises and other initiatives including Pradhan Mantri Awas Yojana (Urban and Rural) may increase. This might include more benefits for women entrepreneurs.



# SECURITY

## Jaish-e-Mohammad

### Relevancy

- ✓ G.S. Paper 4 (Internal Security)

### What is the issue?

- ❖ The Pakistan-based Jaish-e-Mohammad has claimed responsibility for the recent Pulwama Terror Attack.
- ❖ It is significant, in this context, to understand why China is protecting Jaish-e-Mohammad against international actions.

### What is India's proposal in this regard?

- The Pakistan-based Jaish-e-Mohammad has carried out multiple attacks on India over the last two decades.
- India sees JeM as the brainchild of the Pakistan army.
- The Pakistan Army and ISI (Inter-Services Intelligence - intelligence agency of Pakistan) is believed to control the Jaish-e-Mohammed.
- The UN Security Council Resolution 1267 prescribes a sanctions regime against designated terrorists and terrorist groups.
- India thus proposed in 2016, after the Pathankot attack, to designate its leader, Maulana Masood Azhar as a global terrorist under the UN 1267 regime.
- But India's proposal has been blocked four times by China, most recently in January 2017, and it continues to protect Jaish.

### Why is China shielding Azhar?

- **Evidence** - China insists that there is not enough evidence to designate him a "global terrorist", though the rest of the P5 (permanent members in UNSC) believes otherwise.
- So China maintains that it wanted to "uphold the authority and validity of the 1267 Committee".
- **Pak population** - China enjoys an overwhelming popularity in Pakistan as 88% Pakistanis view China favourably.
- It is not in Beijing's interest to disappoint this constituency by accepting India's repeated demands to list Azhar.
- **India** - India is part of a short list of economic giants who have refused to participate in the Belt and Road Initiative (BRI) of China.
- India has opposed the China Pakistan Economic Corridor (CPEC), which is part of BRI, as it runs through Pakistan-occupied Kashmir.
- So as China views India as its Asian rival and a competitor, it uses the Azhar issue to make things difficult for India.
- Such tactics are also intended as a message to the US which seeks to build a relationship with India to contain China in the Indo-Pacific.
- **CPEC** - Besides all the above, the actual reason for China's stance is the cause of Pakistan, it's all weather ally in South Asia.
- China wanted to protect its business interests in the China Pakistan Economic Corridor (CPEC).

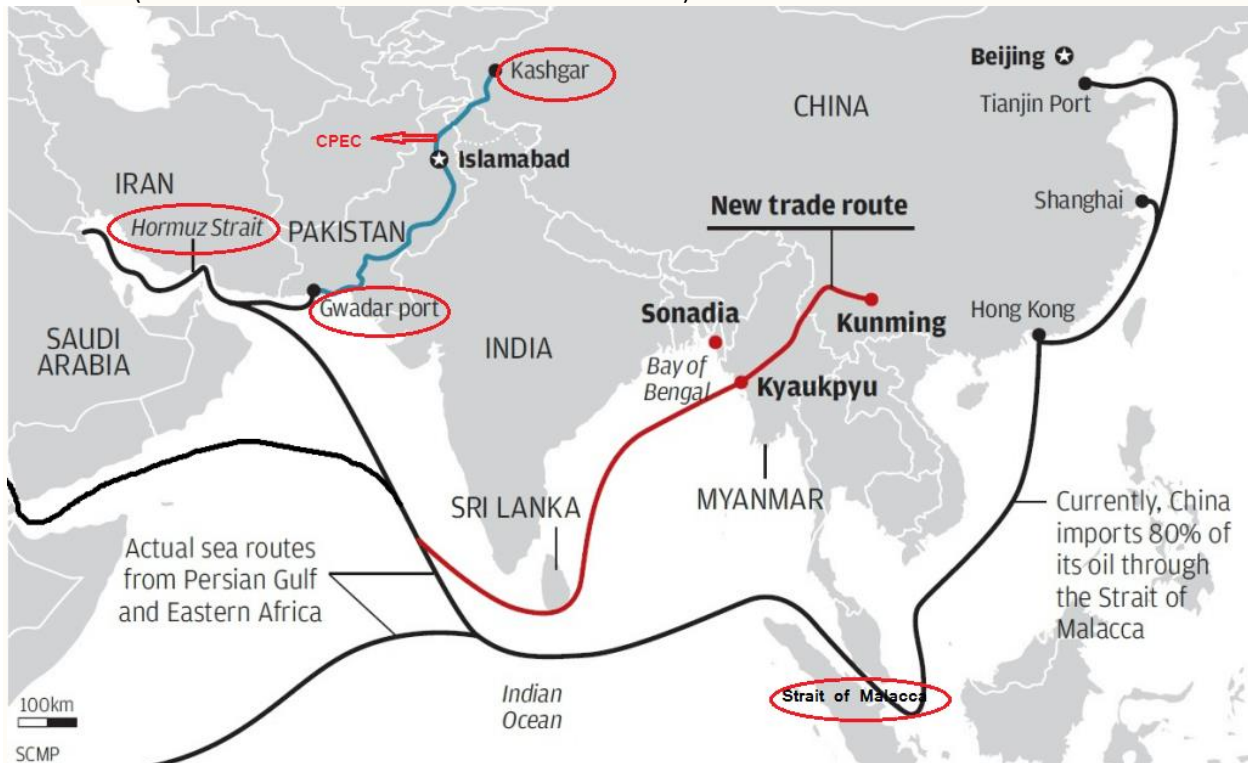
### Why is CPEC crucial for China?

- China Pakistan Economic Corridor (CPEC) is a key part in Chinese President Xi Jinping's ambitious Belt and Road Initiative (BRI).
- The BRI aims to connect Asia, Europe and Africa by building and upgrading road, rail, and sea infrastructure on a massive scale.



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- **Trade** - CPEC runs across the length of Pakistan, linking Kashgar in China's Xinjiang province to the Gwadar deep-sea port near Pakistan's border with Iran.
- With access to the sea through Gwadar, China will not have to take the long route through the Straits of Malacca (between Malay Peninsula and Indonesia) and around India.
- This would significantly increase its proximity to the oil shipping lanes through the Strait of Hormuz (between the Persian Gulf and the Gulf of Oman).



- **Investment** - Chinese firms have invested close to \$40 billion in around 45 CPEC projects, about half of which are nearing completion.
- So China is determined to protect this huge investment of money, personnel and time.
- **Security** - China intends to avoid any terrorist attacks on CPEC infrastructure and thousands of Chinese working on them.
- So in effect, good relations with Pakistan and international protection for ISI proxies like Jaish would mean China's security.
- The project has been targeted by Baloch separatists as well as the Pakistani Taliban.
- They have claimed to be protesting China's treatment of its Muslim Uyghur minority in eastern Xinjiang.
- But Pakistan has attempted to reassure Beijing on the security of CPEC.
- In 2015, it established a 20,000-personnel Special Security Division drawn from the Army and paramilitary forces in addition to the local police, exclusively to secure CPEC.
- Besides, China has an understanding with other terror outfits too that as long as they don't train the Uyghurs in China, it will not penalise them.



# INTERNATIONAL AFFAIRS AND GLOBAL ISSUES

## Geneva Convention

### Relevancy

- ✓ G.S.Paper 2 (International Relations), 4 (ethics)

### Why in news?

- ❖ Indian Air Force's Wing Commander Abhinandan Varthaman, in Pakistani custody after his plane was shot down today, will be governed under the Geneva Convention of 1929.

### About the Geneva Conventions

- 1) The Geneva Convention finds its origins in 1859 when Henry Dunant, a Genevan businessman, happened to witness the aftermath of a battle during the war for Italian independence. Dunant was horrified by what he saw and over the next few decades dedicated himself to finding a solution to the problem. This led to the formation of the early avatar of the Red Cross and holding of the First Geneva Convention in 1864, the first such attempt to lay down terms for humanitarian behaviour during conflicts. Dunant went on to become the first recipient of the Nobel Peace Prize.
- 2) In 1906, amendments were added to the First Convention. These included enhanced protections for people captured or wounded during battle and for medical personnel and volunteers helping victims of war. After the horrors of the two World Wars, the scope of the Geneva Conventions was increased in 1949 so that non-combatant civilians could also be protected.
- 3) Other expanded protections stated that Prisoners of War (POWs) must not be tortured or mistreated; get suitable housing and adequate quantities of food; not be discriminated against; be allowed to correspond with family, etc. Besides, the Red Cross can visit POWs and inspect their living conditions.
- 4) In 1977, two Protocols were added to the Conventions. While Protocol I provide for enhanced protections for military workers, civilians and journalists during armed conflicts and seeks to ban weapons causing "unnecessary suffering", Protocol II looked closely at the sufferings caused in civil wars.
- 5) Article 13 of the Geneva Convention states: "Any unlawful act or omission by the Detaining Power causing death or seriously endangering the health of a prisoner of war in its custody is prohibited....Prisoners of war must at all times be protected, particularly against acts of violence or intimidation and against insults and public curiosity."

## ILO Report On Employment In India

### Relevancy

- ✓ G.S. Paper 2,3

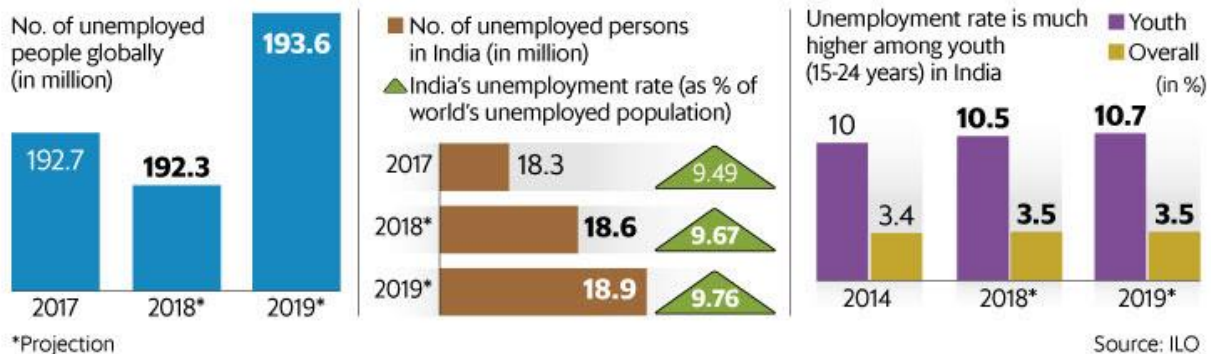
### Key points

- The Asia-Pacific region will add 23 million jobs between 2017-19, aided by employment growth in South Asian nations, including India, according to the International Labour Organization (ILO).



## JOBS OUTLOOK

By 2019, India will have 18.9 million unemployed people, or 9.76% of such population worldwide.



- But a lot of the jobs being created are of poor quality despite strong economic growth and some 77% of workers in India will have vulnerable employment by 2019, according to the ILO's World Employment and Social Outlook report released on Tuesday.
- "A large part of the jobs created in the region remain of poor quality: vulnerable employment affects almost half of all workers in Asia-Pacific, or more than 900 million men and women.
- "Projections indicate that 72% of workers in Southern Asia, 46% in South-Eastern Asia and the Pacific, and 31% in Eastern Asia will have vulnerable employment by 2019, showing very little change from 2017," the ILO said.
- In India the vulnerable employment level is higher than those of the world or the South Asia region. The report says that of the 535 million labour force in India in 2019, some 398.6 million will have poor quality jobs. The bigger concern in India is while the overall unemployment rate hovers between 3.4% to 3.5% between 2017-19, the unemployment rate in the 15-24 age group is much higher—increasing further from 10% in 2014 to 10.7% in 2019. In 2017, the unemployment rate in the 15-24 age group was 10.5%
- The report comes amid a jobs debate in India, which many believe is not creating enough jobs even as some 12 million people get added to the labour market every year.
- "The high and persistent incidence of vulnerable employment in the region largely reflects the fact that structural transformation processes, whereby capital and workers transfer from low to higher value-added sectors, are lagging behind in large parts of the region, with the exception of Eastern Asia," ILO economist and lead author of the report Stefan Kühn said.
- The poor quality of jobs and high informality, the ILO said, is key for the high level of "working poors" or those living on incomes of less than Rs198 per day.
- As of 2017, 23.4% of the working population was in extreme or moderate poverty, down from over 44% a decade back.
- However, despite economic growth, working poverty in countries like India remains at a high.
- "Despite remarkable progresses, working poverty remains high in some parts of the region, notably in Southern Asia. Over 41% of workers in this region are estimated to be in either extreme or moderate poverty in 2017, accounting for more than two-thirds of all working poor in Asia-Pacific," the ILO report said.
- The report says by 2019, India will have 18.9 million unemployed people or 9.76% of such population worldwide—an increase from 18.3 million in 2017.



## India Saudi Arabia Relationship

### Relevancy

- ✓ G.S. Paper 3 (International Relations)

### What is the issue?

- ❖ With the visit of Crown Prince Mohammed bin Salman of Saudi Arabia to India, here is the importance of Saudi Arabia to India and the key areas of cooperation.

### Why is Saudi significant to India?

- **Employment** - The 2.7 million strong Indian community is the largest expatriate group in Saudi Arabia.
- They send remittances of over US \$11 billion annually to India.
- **Pilgrimage** - The Saudi Kingdom facilitates Hajj pilgrimage to over 1,75,000 Indians every year.
- This is one of the major reasons why Saudi Arabia is an important country for India.

### What are the key areas of cooperation?

- Relations between the two countries are rooted in strong historical and civilisational links.
- The mutually beneficial partnership encompasses active cooperation in a wide spectrum of spheres.
- **Strategic Partnership** -The Riyadh Declaration of 2010 had forged a Strategic Partnership between India and Saudi Arabia.
- Saudi Arabia has identified India as one of the 8 strategic partners.
- It intends to deepen partnership in areas of political engagement, security, trade and investment, and culture.
- As part of this engagement, the two sides are finalising the setting up of a Strategic Partnership Council at the Ministerial level.
- **Security** - The Strategic Partnership includes security cooperation.
- Riyadh has largely shown an understanding of India's terrorism-related concerns, and has agreed to work with India in countering the global menace.
- During Indian PM's 2016 visit, an MoU on cooperation in the exchange of intelligence related to money laundering and terrorism financing was also signed.
- **Defence** - An MoU on Defence Cooperation was signed in 2014 during the visit of the Crown Prince.
- The two sides are exploring the possibility of elevating this engagement with Joint Production and Joint Exercises, particularly in Joint Naval exercises.
- **Trade** - Bilateral trade was US \$27.48 billion during the last financial year 2017-18, recording about 10% growth compared to 2016-17.
- This makes Saudi Arabia India's 4th largest trading partner.
- **Energy** - Saudi Arabia is a source of 17% or more of crude oil and 32% of LPG requirements of India and thus a key pillar of India's energy security.
- Recently, Saudi ARAMCO, in partnership with ADNOC of UAE, has agreed to partner in Ratnagiri (Maharashtra) Refinery and Petro-Chemical project Ltd., a Joint Venture worth US\$ 44 billion.
- India hopes to transform this buyer-seller relationship in energy to a broad-based partnership.
- **Others** - Other areas of interest for joint collaboration are fertilisers, food security, infrastructure, renewable energy, etc.
- ICT, healthcare and pharmaceuticals, electronic and manufacturing facilities, and housing are other potential areas of enhanced cooperation.



### **BrainyIAS (84594-00000)**

- The countries are also looking for greater collaboration in civil aviation, a potential area especially in the context of increasing trade and tourism.
- Besides, Saudi Arabia itself is undertaking large development projects in which Indian companies will be looking to participate.
- These include Smart City, Red Sea Tourism Project, Entertainment City, etc.