

IN PANDEMIC CRISIS, BRIDGING THE GULF WITH WEST ASIA

A strong, positive message by New Delhi to the region's investors is crucial as both are well-placed to help each other

As the world continues to collaborate in dealing with the COVID-19 pandemic which has shattered lives, economies and, arguably, even political and global institutions, the post-pandemic architecture may look drastically different from what we have been used to.

For India and its foreign policy, the West Asia/Gulf region holds a significant court for strategic, economic and even domestic political agendas, ranging from migration to energy security. The pandemic has initiated a reverse migration of Indian blue-collar workers as projects in oil-rich States stall, and infrastructure development halts amidst a contracting global economy that some say may be worse than the Great Depression of the 1930s.

The stakes in numbers:

India's Minister of External Affairs S. Jaishankar has said that India would repatriate more than 100,000 of its citizens between May 17 and June 13 from 60 countries, a majority of whom are expected to be from the West Asia region. Between June 10 and June 16, there were around 20 flights scheduled to bring Indian citizens back between India and Saudi Arabia alone. In neighbouring United Arab Emirates (UAE), more than 3.4 million Indians work. Overall, an estimated figure of close to nine million Indians work in West Asia, responsible for sending back more than 56% of India's annual infusion of \$80 billion in remittances. The UAE alone is responsible for \$19 billion in remittances, being the third largest trade partner of India after the United States and China.

Much of the impressive numbers above are now under stress, perhaps for the first time since the first Gulf War in 1991. The oil price crash, triggered by expectations of oversupply following a dispute on output caps between Saudi Arabia and Russia, exacerbated by the crash in demand due to COVID-19, will carry massive costs to the West Asian economies, and, by association, to foreign workers employed there. According to a Dubai Chamber of Commerce & Industry survey, more than 70% of businesses classified as small and medium-sized enterprises in Dubai, many owned by Indian nationals, may not survive over the months to come as labour critical industries such as tourism, conventions, hospitality and airlines bear the immediate brunt. To put it in perspective, according to a 2019 U.S.-U.A.E. Business Council report, the UAE's hospitality sector itself contributes 4.6% of the country's GDP, making nearly 600,000 jobs that are mostly fulfilled by foreign workers. Some reports suggest that up to 30% of these jobs could be lost.

In Saudi Arabia, consumer spending for April 2020, compared to the same time last year, was reportedly down by 34.6%. However, beyond the immediate effects, the oil price crash is expected to have a significant blow on the reform plans initiated by Crown Prince Mohammed bin Salman, specifically mega-projects such as the envisioned \$500 billion futuristic mega-city of Neom planned on the coast of the Red Sea, and other more structural efforts to open up the Saudi economy and move the country's financial ecosystem away from its overt dependence on petro dollars.

Oil and investment:

India gets around 60% of its hydrocarbon requirements from West Asia. On an annualised basis, India saves up to \$1.35 billion for each \$1 drop in oil prices. With Brent still hovering under \$40, the softening oil prices have helped cushion the impact of the national lockdown on the balance of payments. India has also taken advantage of the low prices to build up its strategic reserves and is looking at offshore storage options.

The major sovereign wealth funds and other financial institutions in West Asia have been hit hard by COVID-19 as well. Some have seen their real estate and retail portfolios shrink dramatically over the last three months. India is well-placed to attract a significant amount of capital from West Asia and reports of investment by UAE's Mubadala and Saudi Arabia's Public Investment Fund (PIF)

are a case in point. The economic reforms announced by the Finance Minister in the week of May 13 bring much needed clarity to industrial and agricultural policy. A strong, positive message to West Asian investors from New Delhi is now the need of the hour.

Steps to take:

As a starting point, working with the government of Maharashtra to expedite land acquisition for the \$50 billion mega-refinery project could be an important first step. Saudi Aramco and the Abu Dhabi National Oil Company have committed to investing \$25 billion in the project. Fast-track resolution of endless litigation that has bedevilled the sale of a major stake of Mumbai airport by GVK to a consortium that includes the UAE sovereign fund, Abu Dhabi Investment Authority (ADIA) will also send out a positive signal to the markets. Some of the UAE's largest companies such as Etisalat, Emaar and Etihad have previously had a tough time with their investments in India. By creating a few immediate success stories, India has the opportunity to transform the landscape and attract the kind of long-term capital that the economy needs. The government has announced that it has set up an empowered group headed by Cabinet Secretary Rajiv Gauba to take necessary steps to attract FDI into India. Hopefully, this mechanism can take up West Asia on priority.

Reverse migration and jobs:

If the economic prophecies come true till a certain degree, India will also share the brunt with West Asia, and both are well placed to help each other in this regard. Arguably, more than the loss of trade revenue and remittances, the return of semi-skilled and skilled workers alike into an economy already struggling with jobs may become a point of worry. To mitigate the same, the government has tried to soften the blow by launching the Skilled Workers Arrival Database for Employment Support (SWADES) which attempts to capture the skills profile of returning workers and house them in a central portal that can be accessed by Indian and foreign companies. However, much more needs to be done with regard to reverse-migration and the economics attached to it, as globally, bilateral and multilateral trade-diplomacy is set to witness a tectonic shift towards the unknown.

Meanings of Difficult Words :

- ❖ **pandemic** (noun) – the worldwide spread of a new disease; The illness spreads around the world and typically affects a large number of people across a wide area.
- ❖ **bridge the gulf/gap** (phrase) – try to find a way to reduce the gap and bring the two separate viewpoints together.
- ❖ **well-placed** (adjective) – having an advantageous position.
- ❖ **shatter** (verb) – destroy, wreck, ruin/ devastate.
- ❖ **arguably** (adverb) – possibly, conceivably, maybe, potentially.
- ❖ **architecture** (noun) – structure, framework, formation.
- ❖ **hold court** (phrase) – to serve as a center of attention.
- ❖ **energy security** (noun) – it is the uninterrupted availability of energy sources at an affordable price.
- ❖ **reverse-migration** (adjective) – a process in which migrants go back to their place of origin.
- ❖ **blue-collar workers** (noun) – it describes people who do manual work. Workers who work in a factory, for example, who wear a uniform. (Courtesy: BBC Learning English)
- ❖ **white-collar workers** (noun) – people who work in offices, doing administration or managerial tasks – clerks for example – were referred to as white-collar workers. (Courtesy: BBC Learning English)
- ❖ **stall** (verb) – stop, halt, stop running/ functioning.

- ❖ **contract** (verb) – decrease, decline, reduce.
- ❖ **Great Depression** (noun) – a worldwide economic depression that started in 1929 and lasted until the late 1930s (almost for 10 years until about 1939). Although it originated in the United States, the Great Depression caused drastic declines in output, severe unemployment, and acute deflation in almost every country of the world.
- ❖ **stake** (noun) – share, interest, investment, involvement.
- ❖ **repatriate** (verb) – send (a person) back to his/her own country or land of citizenship; banish, deport, expel.
- ❖ **infusion** (noun) – the introduction/instilling/imbuing of a new thing.
- ❖ **(foreign exchange) remittance** (noun) – money transfers (called remittance) from a foreign worker employed outside the country to family, friends or relatives residing in home countries. In many countries, remittance accounts for a significant portion of a nation's gross domestic product or GDP.
- ❖ **crash** (noun) – a sudden drop in value/price of something.
- ❖ **cap** (noun) – ceiling, maximum limit, upper limit, highest permissible level.
- ❖ **exacerbate** (verb) – aggravate, worsen, compound, intensify, heighten.
- ❖ **bear the brunt** (phrase) – to suffer or endure the worst part of something (force/burden/pressure) when a very bad or unpleasant thing happens.
- ❖ **put something into perspective** (phrase) – to compare with something similar to give a clearer, more accurate idea.
- ❖ **Gross domestic product** (GDP) (noun) – a measure of economic activity in a country. It is the total value of a country's annual output of goods and service.
- ❖ **blow** (noun) – shock, surprise, rude awakening; misfortune, setback, disappointment.
- ❖ **envision** (verb) – visualize, imagine, envisage.
- ❖ **futuristic** (adjective) – unprecedented, innovatory, new, unconventional.
- ❖ **open up** (phrasal verb) – make available (to create/start developing new opportunities).
- ❖ **ecosystem** (noun) – complex situation/environment.
- ❖ **overt** (adjective) – clear, visible, noticeable/unconcealed.
- ❖ **hydrocarbon** (noun) – it is an organic compound consisting entirely of hydrogen and carbon which are the main components of petroleum and natural gas.
- ❖ **Brent (crude)** (noun) – a classification of crude oil produced from the oil platform in the North Sea.
- ❖ **hover** (verb) – remain at a level.
- ❖ **soften** (verb) – lessen, diminish, decrease.
- ❖ **cushion** (verb) – mitigate, lessen, reduce (the adverse effects of).
- ❖ **lockdown** (noun) – an emergency protocol implemented by the authorities that prevents people from leaving from a place; An extended state of confinement/encirclement/isolation of a person by the authority.
- ❖ **build up** (phrasal verb) – set up, develop, establish.
- ❖ **strategic reserve** (noun) – the reserve of a commodity (e.g. oil) that is held back from normal use by government/organisation to cope with unexpected events.
- ❖ **offshore** (adjective) – registered/situated at foreign country to take advantage of lower taxes or less regulation.
- ❖ **portfolio** (noun) – a range of investments (like shares, holdings, securities, equities, bonds).

- ❖ **sovereign wealth fund (SWF)** (noun) – sovereign investment fund, or social wealth fund; It's simply a mechanism through which countries make investments. A pot of money – often derived from oil or other commodities – that is then invested in shares, bonds, property or other areas of potential growth. Many of the countries that use sovereign wealth funds (SWFs) have economies that are heavily reliant on one source of income, for example oil revenues in the Middle East. The investments made through the SWFs are effectively a way for those countries to diversify and become less reliant on a single stream of income.
- ❖ **shrink** (verb) – lessen, reduce, decrease.
- ❖ **Public Investment Fund (PIF)** (noun) – The Public Investment Fund is the sovereign wealth fund of Saudi Arabia. It is among the largest sovereign wealth funds in the world with total estimated assets of \$320 billion. It was founded for the purpose of investing funds on behalf of the Government of Saudi Arabia.
- ❖ **case in point** (phrase) – example, instance, sample.
- ❖ **need of the hour** (phrase) – some need/requirement/demand at a particular point of time.
- ❖ **expedite** (verb) – accelerate, speed up, quicken.
- ❖ **acquisition** (noun) – acquiring, procuring, procurement, purchasing.
- ❖ **litigation** (noun) – legal process, legal proceeding, legal action.
- ❖ **bedevil** (verb) – afflict, torment, trouble.
- ❖ **consortium** (noun) – union, league, syndicate/corporation. Consortia is a plural form of consortium.
- ❖ **sovereign fund** (noun) – a state-owned investment fund.
- ❖ **send out** (phrasal verb) – give out, announce, deliver/release.
- ❖ **landscape** (noun) – the distinctive features of a field of activity.
- ❖ **empowered** (adjective) – authorized, allowed, entitled.
- ❖ **foreign direct investment (FDI)** (noun) – Investment from one country into another (normally by companies rather than governments) that involves establishing operations or acquiring tangible assets, including stakes in other businesses.
- ❖ **prophecy** (noun) – prediction, forecast, prognosis, augury.
- ❖ **brunt** (noun) – burden, pressure, strain, stress.
- ❖ **in this regard** (phrase) – in connection with the aspect/point referred earlier.
- ❖ **semi-skilled** (adjective) – having some training and skills, but not enough to do specialized work.
- ❖ **alike** (adverb) – equally.
- ❖ **mitigate** (verb) – reduce, lessen, decrease, make less severe.
- ❖ **bilateral** (adjective) – involving two groups or countries.
- ❖ **multilateral** (adjective) – involving many different countries.
- ❖ **trade-diplomacy** (noun) – diplomacy that focuses on development of trade (business) between two countries.
- ❖ **tectonic** (adjective) – very important, significant, substantial/considerable, big/major (change/shift/development that will have a strong, global impact all over the place).