



Impact on development of Indian economic growth due to Saudi Arabia's vision 2030

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Abstract

In the framework of Vision 2030's economic reforms, this study looks at the relationship between Saudi Arabia and India in terms of CO₂ emissions, labour force participation, FDI, and trade openness on the Consumer Price Index (CPI) in Saudi Arabia. Understanding the variables affecting inflation and economic stability is essential since Vision 2030 seeks to diversify the economy, lessen reliance on oil, and encourage sustainable growth. Both positive and negative trade openness lower consumer prices, but over time, negative trade openness lowers prices and positive trade openness raises inflation. This illustrates how trade openness has varied inflationary effects over time. By providing policymakers with strategic insights in line with Saudi Arabia's Vision 2030 and Indian companies' economic growth, these findings add to the policy discourse on striking a balance between economic growth, environmental sustainability, and inflation management.

Keywords: Saudi arabia, human resources development, human resources management, saudi vision 2030

Introduction

In collaboration with the Kingdom of Saudi Arabia's Ministry of Economy and Planning, the World Economic Forum recently held an open forum in Riyadh that highlighted Saudi Arabia's ambitious vision for healthcare and tourism, highlighting the expected significant economic impact and job creation by 2030. The tourism industry has made progress, but the health sector is still relatively undeveloped. Examining India's possible involvement in this field and the investment opportunities it offers is essential.

Vision 2030 calls for a comprehensive overhaul of Saudi Arabia's healthcare system, supported by more than \$65 billion in investments. The plan comprises a complex approach that includes the expansion of e-health programs, the creation of 21 "health clusters" across the country, and the restructuring and privatisation of healthcare services. Overarching objectives include the privatisation of many hospitals and health facilities in order to increase private sector participation from 40% to 65% by 2030. Preventive care, the fight against non-communicable diseases like diabetes and obesity, and strengthening intellectual property rights in the pharmaceutical industry are also priorities.

With an \$8.9 billion pharmaceutical market (as of 2022), Saudi Arabia also hopes to establish itself as a global centre for pharmaceutical production, creating demand for both patented and generic medications. Drug shortages were a serious issue that negatively impacted patients' health and necessitated immediate action from healthcare authorities. About 16% of Saudi Arabia's medications are produced locally by pharmaceutical companies. However, approximately 59.4% of pharmaceutical purchases in the Gulf region come from Saudi Arabia. Although local pharmaceutical production has significantly increased over the past ten years, some estimates indicate that domestic manufacturers only supply 20 to 25% of the demand for prescription drugs, even though there are more than thirty-two registered and twenty-seven active pharmaceutical industries.

India, which is well-known for its thriving pharmaceutical sector and its position as the world's top manufacturer of generic medications, is prepared to assist Saudi Arabia in accomplishing its lofty healthcare goals as stated in Vision 2030. There is a solid basis for cooperation because healthcare and life sciences receive nearly 17% of Saudi Arabia's public budget. The goal of giving Saudi citizens free medications by 2030 is at the heart of this vision, and India can play a crucial role in achieving this goal by providing high-quality, reasonably priced treatments. The COVID-19 pandemic highlighted the importance of this collaboration, as demonstrated by India's provision of more than 10 million doses of the AstraZeneca-Oxford vaccine to Saudi Arabia, demonstrating India's reputation as the "pharmacy of the world." In this endeavour, India's large pool of scientific talent, affordable R&D capabilities, and internationally recognised pharmaceutical industry are important assets. Saudi Arabia, on the other hand, is a perfect complement to India's strengths due to its substantial investment potential, state-of-the-art research infrastructure, and strategic access to the markets of West Asia and North Africa.

In the Kingdom of Saudi Arabia (KSA), Indian pharmaceutical companies are already making notable strides. For example, in 2023, Venus Remedies received approval for its manufacturing facilities from the Saudi Food and Drug Authority (SFDA). In order to take advantage of the strict regulations established by the SFDA, the company plans to launch several medications into the KSA market. The Kingdom of Saudi Arabia currently accounts for 12–15% of Venus Remedies' exports, and this percentage is expected to rise in the future. Furthermore, Glenmark Pharmaceuticals and other well-known Indian pharmaceutical companies are keen to enter the KSA market. In an effort to expand its presence in the area, Glenmark recently introduced its first branded speciality product in Saudi Arabia.

Despite the potential, KSA currently receives only 3–4% of India's \$25–26 billion in pharmaceutical exports. Drug approvals are delayed in the KSA market due to the

stringent regulations. The SFDA's regulations, which are specific to various drug categories, cover a broad range of topics, such as data submission, stability, labelling, packaging, and more. Because of this specificity, businesses must make sure that a wide range of regulations are followed, which can be difficult. Additionally, several departments evaluate different facets of the drug application as part of the internal evaluation process. Only safe and effective products are authorised for the market thanks to this stringent evaluation, but it can also increase the workload for applicants and lengthen the approval process. Increased investment from India could result from streamlining this laborious process and turning it into a single window channel.

However, there is a chance for Indian businesses to start producing complex generics locally on a large scale in the Kingdom of Saudi Arabia. India is well-positioned to become a major supplier to KSA thanks to its large pool of USFDA-approved locations. Indian pharmaceutical companies would also benefit greatly from gaining access to the Saudi market since it would open doors in the 57 nations that make up the Organisation of Islamic Cooperation, which has a \$130 billion global market. Since KSA is now more willing to provide competitive prices for high-quality medications, streamlining site approvals and resolving pricing concerns could further facilitate this collaboration. India can use its experience in pharmaceutical production and adherence to strict regulations to invest in the Saudi healthcare industry. Partnerships between Saudi and Indian businesses may benefit both parties and spur additional expansion in the healthcare sector.

As part of the Vision 2030 plan, Saudi Arabia is rebranding its economy to lessen its reliance on hydrocarbons. Since the Consumer Price Index is a major indicator of the nation's economic situation and the price of goods and services, this change has sparked discussions about inflation and economic stability. Policymakers can create mechanisms to control inflation rates by understanding the factors that cause fluctuations in the CPI. The factors of CO² emissions, foreign direct investment, labour force participation, and trade openness are crucial to Saudi Arabia's economic reforms as part of its Vision 2030 plan. In order to achieve its economic objectives, Vision 2030 places a strong emphasis on promoting sustainable development, diversifying the economy, and lowering reliance on oil. In addition to addressing CO² emissions, policies that promote trade openness, labour participation, and foreign direct investment are intended to boost economic growth and control inflation. Because of their effects on consumer prices, CO² emissions stand out among the factors influencing the CPI. However, since Saudi Arabia is now implementing policies for sustainable development, they must be thoroughly understood. Furthermore, previous Saudi studies have paid little attention to the labour force participation rate, which also has a significant impact on the CPI. The Kingdom has also learnt about foreign direct investment (FDI) and how it affects economic growth, particularly in light of the increased expectations that more FDI will result in improvements to the economy. However, it is still unclear how FDI affects inflation trends and the Consumer Price Index. Another significant aspect of economic transition that needs study is trade openness brought about by liberalisation efforts, particularly in relation to the CPI. With reference to the CPI in Saudi

Arabia, this study aims to investigate the intricate relationship between CO² emissions, labour force participation, foreign direct investment, and trade openness. Therefore, the main research question investigated in this study is: How do CO² emissions, labour force participation, foreign direct investment, and trade openness affect Saudi Arabia's Consumer Price Index (CPI) under the Vision 2030 economic reforms?

This study examines the effects of economic and environmental factors on the Consumer Price Index using a time series analysis model based on Keynesian economic theory. Total spending and its effects on output and inflation are central to both the Keynesian model of macroeconomic theory and practice; employment levels and foreign direct investment have an impact on the CPI. In contrast, a declining workforce raises wages and production costs, which raises the CPI; on the other hand, a robust labour force increases production capacity to help contain or lower the CPI. Furthermore, since foreign direct investment (FDI) is the means by which capital enters the nation, raising overall economic demand may have an impact on the general level of prices, particularly on consumer prices. However, FDI can also bring efficiency and technology, which can lower costs and inflation. It is anticipated that both investment and consumption spending will affect the CPI through changes in import and export prices, with export demand probably driving up domestic prices. This study examines the relationships between CO² emissions, labour force participation, FDI, trade openness, and the CPI in Saudi Arabia using these economic theories. This study intends to give policymakers useful information for controlling inflation and promoting sustainable economic growth in the Kingdom by concentrating on the dynamics of these variables.

India-Saudi Arabia relations

After Saudi King Abdullah's historic visit in January 2006, bilateral economic cooperation between Saudi Arabia and India started to grow. In a similar vein, the 2010 "Riyadh Declaration," which established a "Strategic partnership" for increased cooperation in economic, political, and maritime defence security, gave Prime Minister Dr. Manmohan Singh's reciprocal visit to Saudi Arabia significant momentum. Saudi Arabia is one of India's primary suppliers of crude oil. The numerous Indian diaspora members who are employed as skilled and semi-skilled workers. Under the quota, thousands of Muslims are performing the Hajj. When it comes to regional disputes like tensions between Iran and Saudi Arabia, the war in Yemen, competition with China, and the rights and welfare of Indian workers in Saudi Arabia, Saudi is the major player in West Asian politics. Together, the two nations constructed a gas fertiliser plant in Saudi Arabia. Six However, after PM Modi's visits in 2016, 2019, and 2025, India-India relations gained significant momentum in the areas of culture, space, energy, and defence. In New Delhi, Riyadh had substantial investments totalling \$100 billion.

In addition to their expanding economic cooperation, both nations strengthened their interpersonal relationships, cultural ties, and strategic alliances in the areas of science and technology, maritime defence, tourism, counterterrorism, and oil reserves. Despite Saudi private companies' FDI outflows in India's mining, petrochemical, and infrastructure sectors. Bilateral trade totalled US\$42.98

billion in FY 2023–2024. Furthermore, Saudi Arabia is India's fifth-largest trading partner and the country's third-largest importer of crude oil.

Economics Relations

One of the best ways to foster understanding between Saudi Arabia and India is through trade practices. Saudi Arabia is currently India's fourth-largest business ally. Among the main energy suppliers, the Kingdom provides more than 20% of India's needs for crude oil and 30% of its needs for natural gas. Since the 1990s, India's economic liberalisation has helped to increase trade between Saudi Arabia and India. India receives 0.175 billion barrels of crude oil from Saudi Arabia each year. Over the past few years, the Indian economy has grown at a rapid rate of 7-8% per year. In order to ensure sustainable economic growth, India has secured the necessary demands and controls the supply of crude oil. In order to guarantee a consistent supply of food, medications, and other necessities, both nations have shared their national experiences and helped one another throughout 2020–2021. Two distinct shipments containing 4.5 million COVISHIELD vaccines were sent to Saudi Arabia during this pandemic period in February 2021. In order to lessen the global pandemic, relief supplies were subsequently sent during the second wave. Saudi Arabia has been cooperative in this dire situation. Energy resources, especially crude oil, have undoubtedly played a crucial role in strengthening the relationship between Saudi Arabia and India. Being the biggest producer of crude oil in the Gulf Cooperation Council, Saudi Arabia is a great choice for India. The mutual trade was valued at 52.76 billion US dollars during the Financial Year 2022–2023. India's imports reached 42.03 billion US dollars during this time, while its exports to Saudi Arabia reached 10.73 billion US dollars, indicating a 23.11 percent increase in overall trade this year. In the fiscal year 2022–2023, the volume of trade between Saudi Arabia and India was 4.53 percent of all Indian trade.

Strategic Relations

The strategic partnership between Saudi Arabia and India is based only on their shared security concerns. In 2008, the process of strengthening the strategic ties between Saudi Arabia and India started. Conversely, there had been varying degrees of cooperation before, but the 26/11 attack on Mumbai had a significant negative impact and forced India to obtain intelligence more effectively by sharing it with the Gulf countries in order to adequately check terrorist activities and funding. In 2010, an extradition treaty was signed between Saudi Arabia and India. The Chief of Intelligence, Prince Muqrin bin Abdul Aziz Al-Saud, travelled to New Delhi on January 15, 2009, to improve intelligence cooperation and coordinate security-related initiatives. An important turning point in the strategic partnership was reached with this visit. A protocol was signed between the two countries during the Indian Prime Minister's visit to Riyadh, setting the stage for a closer bilateral relationship between Saudi Arabia and India. This protocol highlighted the increasing importance of their diplomatic engagement, even though the focus was primarily on areas other than defence cooperation, such as economic ties and cultural exchanges.

An important diplomatic milestone was reached in 2006 with the establishment of the Riyadh Declaration. The first

major bilateral agreement between Saudi Arabia and India was later signed during the Saudi Kings' visit to New Delhi, known as the "Delhi Declaration". A new chapter in their bilateral relations began with this proclamation. The defence cooperation between Saudi Arabia and India became a crucial area of focus for both countries in 2012. Both nations expressed a desire to strengthen their cooperation on strategic matters at a joint defence cooperation meeting held in New Delhi that same year.

Significant progress was made in strengthening defence and security cooperation with Saudi Arabia during the UPA (United Progressive Alliance) government in India. Bilateral relations improved during this time, especially in defense-related and strategic interactions between the two nations. Coordinating security measures, promoting military exchanges, and enhancing intelligence cooperation were the main goals. These initiatives helped strengthen the relationship between Saudi Arabia and India overall and set the stage for further cooperation in security and defense-related issues. In February 2012, the first Indian Minister of Defence travelled to Saudi Arabia to strengthen strategic ties. This time, the parties agreed to train military personnel, create a committee for joint defence cooperation, begin a joint defence manufacturing program, and provide mountain warfare training to Saudi armed forces. A Memorandum of Understanding for defence cooperation was signed in New Delhi by Saudi Arabia and India two years later. This Memorandum of Understanding (MoU) was created as a result of Saudi Arabia's defence minister, Salman bin Abdulaziz Al-Saud, visiting India. Long-term discussions on bilateral issues have taken place between the two parties, which is a significant advancement in their strategic partnership and cooperation.

In accordance with the Memorandum of Understanding, both nations committed to sharing defense-related data, working together on military education and training, and strengthening cooperation in everything from logistics to hydrography and security. This agreement highlighted the strengthening defence ties between Saudi Arabia and India, demonstrating their mutual dedication to enhancing bilateral relations in a number of strategic areas.

Both sides have made impressive strides in the fight against terrorism. Regarding the threats posed by the terrorist organisation ISIS, both nations expressed grave concern. The intelligence services are working closely together to share information, obtain up-to-date information, track the flow of money involved in money laundering operations, and keep an eye on suspects' whereabouts. The two nations have signed an Agreement on the Transfer of Sentenced Persons and an Extradition Treaty. Abu Jundal is among the more than a dozen suspects that Riyadh has extradited to India on suspicion of being involved in a number of terror-related incidents. Both countries are also actively looking for ways to counter extremist ideologies. They have also made significant agreements to fight money laundering and terror financing. The MOUs that the Indian Defence Minister signed during his visit showed how committed both countries were to advancing strategic cooperation.

Improving cooperation in defence and security matters is a top priority for the BJP government. The appointment of Ahmed Javed, the former chief of Mumbai Police, as ambassador to Saudi Arabia served as further evidence of this. This collaboration was further strengthened by frequent exchanges and visits between Saudi and Indian officials,

such as Syed Asif Ibrahim, the former head of India's Intelligence Bureau, and National Security Advisor Ajit Doval. The Prime Minister of India travelled to Saudi Arabia in April 2016, and this trip significantly improved ties between the two countries. Acknowledging the increasing security risks posed by jihadi terrorists in South Asia and the Middle East, both countries pledged to increase efforts and collaboration in the fight against terrorism during this visit. A major advancement was made when the two states' Joint Committee on Defence Cooperation (JCDS) convened in India in November 2017. The first group of Saudi cadets will begin a three-year training program at the National Defence Academy (NDA) in Pune, Maharashtra, in December 2017. India has agreed to host officials from the Royal Saudi Armed Forces for professional training. This program demonstrates both nations' dedication to forging a strong alliance to fight terrorism in their respective areas.

Relations between Saudi Arabia and India have improved over the past ten years and are currently at an all-time high. Both nations are striving to improve their strategic and economic ties, particularly with regard to security concerns like drug and narco trafficking, cyber security, terrorism, and peace and stability in Afghanistan.

With growing economic ties and strategic cooperation, Saudi Arabia and India have become major global players. Their diplomatic ties grew stronger after 1947, characterised by reciprocal high-level visits and historic accords like the Delhi and Riyadh Declarations. They had been linked for centuries through trade and cultural exchanges. The partnership has grown considerably under the direction of Crown Prince Mohammed bin Salman and Prime Minister Narendra Modi in a number of areas, including infrastructure, technology, education, energy, and defence.

Energy

Following economic liberalisation, India experienced robust GDP growth in the 1990s, which led to an all-time high in oil consumption. Oil surpassed coal as the primary energy source during that time, accounting for nearly 52% of the increase in consumption. Oil imports increased in the latter half of the decade as production declined and consumption kept rising. India is a major market for Saudi Arabia's primary commodity, oil, and the country's importance in this regard is anticipated to increase over the coming decades. About 19% of the crude oil we need is imported from the Kingdom.

The significance of Saudi Arabia's energy resources to India's rapidly expanding economy was highlighted by King Abdullah's 2006 visit. Based on complementary and interdependent principles, the two parties signed a Strategic Energy Partnership (SEP) during the visit. The SEP demanded that Saudi Arabia use "evergreen" long-term contracts to give India a "reliable, stable, and increased crude supply."

Saudi Arabia, which supplies about one-fifth of India's total oil demand, has continuously been the country's top supplier of crude oil until very recently. Saudi Arabia's portion of India's expanding needs for LPG (propane and butane). Saudi Arabia is India's second-largest supplier of LPG, after Qatar. The Strategic Energy Partnership, which was signed ten years ago, also called for Saudi Arabia to invest in oil refining, marketing, and storage; build gas-based fertiliser plants in Saudi Arabia; and establish public and private joint

ventures in the upstream and downstream sectors in India, Saudi Arabia, and third countries.

India-Saudi Arabia energy relations were revitalised by the Joint Statement released during Prime Minister Modi's visit to Saudi Arabia in 2016. Saudi Arabia has been invited to invest in India's petroleum reserve under the Modi administration. Chief Minister Nara Chandrababu Naidu met with Saudi Aramco President and CEO Amin H. Nasser to discuss the establishment of a refinery in Andhra Pradesh after Prime Minister Modi's visit to the Kingdom.

Political and Strategic Cooperation with India

In order to combat terrorism, piracy, and criminal elements, India believes that it can establish security ties with Saudi Arabia. From a diplomatic standpoint, it might serve as India's entry point into the larger Arab and Islamic world. Saudi Arabia has responded to India's recent initiatives on topics of shared interest. It is time for both nations to strive towards creating a solid strategic alliance, despite certain obstacles still standing. The two nations' defence establishments have been working together since last year. Prime Minister Modi led the signing of an agreement on intelligence sharing and terror financing during his visit to Saudi Arabia last year. Both Saudi Arabia and India have been concerned about the rise in terrorism, particularly in West Asia and elsewhere since the Arab Spring began. Islamic State (IS) militants operating from neighbouring Iraq and Syria have targeted Saudi Arabia. Additionally, the IS has openly challenged the Kingdom by declaring its goal to take Mecca and Medina. Pakistan's terrorism threat is a constant source of suffering for India. As a result, intelligence sharing and security cooperation have been crucial components of the partnership that the two nations are developing.

Vision 2030: Ambit and Impact

Vision 2030 calls for significant social, cultural, and economic transformations. Crown Prince Mohammad bin Salman is in charge of the Council of Economic and Development Affairs (CEDA), which is in charge of developing and setting up the procedures for carrying out the plan. The National Centre for Performance Measurement and eleven Vision Realisation Programs (VRP) are responsible for monitoring progress and converting the strategic objectives into workable projects.

The project's significant changes can be better understood by looking at the Human Capability Development Programme (HCDP), one of the 11 VRPs. The program's objective is to create globally competitive citizens through knowledge expansion, skill development, and values instillation. This in turn necessitates a reform of the labour market and educational system. Saudi Arabia has some of the lowest educational performance rates in the world, despite having a high literacy and enrolment rate. It is in the bottom 6 percentile for science and the bottom 8 percentile for maths in the fourth grade. Saudi Arabia came in second place among the GCC nations (based on reading, math, and science test scores).

Saudi Arabia is also falling behind other developing nations in terms of labour productivity. During the high growth decade (2003–13), annual productivity growth was 0.8%, significantly less than the 3.3% growth reported by other G20 emerging economies. Saudi Arabia's dual labour market, where foreign workers predominate in lower-paying

private-sector jobs and the majority of Saudi nationals work in higher-paying public-sector jobs, is another oddity. As a result, some unemployed citizens are unable or unwilling to engage in productive activities. As a result, there is a substantial reliance on foreign labour. Another major issue is low workforce participation, particularly for women, who had a pitiful 18% workforce participation rate in 2014. Those affected by Vision 2030 must adjust to the plan's new economic, social, and cultural realities if it is to be realised. Change management strategies can speed up this process by evaluating the impact and predicting stakeholders' responses.

Conclusion

Saudi Arabia faced the realisation that its current socioeconomic model of "rentierism" was clearly unsustainable and was being further strained by outside events. Either proactively guide the nation through a socioeconomic transformation or reactively handle each issue as it arises. Thus, Vision 2030 represented a daring new path for Saudi Arabia.

Since a top-down, state-driven national transformation initiative of Vision 2030's magnitude has never been implemented before, it presents unique difficulties. Due to its monopoly on oil resources, the Saudi state has historically controlled the economy. The Saudi system buys political compliance by giving its citizens unearned wealth in the form of subsidies, jobs, infrastructure, and public services, in contrast to western models where citizens produce a surplus and pay taxes. Vision 2030 would disrupt the current economic order by rearranging public spending and allowing more market forces to compete in the economy.

It is possible to draw the conclusion that there is a good flow of trade between Saudi Arabia and India after analysing their trade relations. India's trade volume with Saudi Arabia has significantly increased, especially since the "Delhi Declaration" and India's clever "look west" policy. Nonetheless, a few traditional products, such as jewellery and gems, continue to dominate India's export basket, accounting for 30% of all exports.

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