

Emerging Dynamics of India-UAE Economic and Strategic Relations

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ABSTRACT

The bilateral relationship between India and the United Arab Emirates is not only rooted in a rich historical context of trade and economic ties but is also characterized by its progressive nature. Over time, the unique connections between these two nations have deepened significantly. This commitment to strengthening their relationship is evident through the recent high-level exchanges between their leaders. Currently, the partnership between India and the UAE is defined by shared economic and commercial interests, alongside a robust political dedication to preserving their existing rapport while fostering a more resilient alliance. In celebration of their 50 years of close bilateral relations, the leaders of both nations have agreed to enhance their Comprehensive Strategic Partnership. The landmark Comprehensive Economic Partnership Agreement (CEPA), which came into effect on May 1, 2022, marks a significant milestone in this collaboration. To address common global challenges, both countries must intensify their cooperative efforts, which will also stimulate new dynamics in trade, investment, and innovation, thereby enhancing bilateral engagement across various sectors. The India-UAE relationship has evolved into a comprehensive narrative of mutual growth, driven by consistency, commitment, and proactive measures. The multi-stakeholder strategy adopted by both governments fosters a deeper understanding and respect between them. With the implementation of the India-UAE CEPA, both nations are poised to enter a new era of economic and trade collaboration. Looking ahead, India and the UAE aim to bolster their partnerships in technology, innovation, and start-ups. Additionally, both countries share common concerns regarding regional and international peace and security. In the context of the ongoing conflict in Ukraine, both nations have consistently abstained from voting against Russia at the United Nations, reflecting a shared understanding and approach. A mutual understanding exists between the two nations regarding the interlinked security of the Gulf and the Indian Ocean, which necessitates a comprehensive strategy. The leadership of both countries recognizes the risks and challenges presented by violent non-state extremist groups. With the formal transition of leadership to Sheikh Mohamed bin Zayed Al Nahyan (MBZ) in the United Arab Emirates (UAE), the potential for friendship between the two nations is limitless. As both countries approach their centennial celebrations, it is evident that a new golden era in the UAE-India bilateral relationship is on the horizon.

Keywords: Emerging dynamics of India, UAE economic, Strategic relations

INTRODUCTION

Recent developments in the relations between India and the UAE can be attributed to their aligned regional geopolitical perspectives and common economic objectives. The “Vision 2021,” established in 2010,

delineates the UAE’s national aspirations and priorities¹. To fulfill its developmental ambitions, this framework identifies six key focus areas: public safety, sustainable environmental practices, infrastructure development, high-quality healthcare, and educational systems, all aimed at transforming the nation into a competitive knowledge-

1. Government of the United Arab Emirates (UAE), Vision 2021 : United Arab Emirates, <https://www.vision2021.ae/en/uae-vision>.

based economy while striving for peace, security, and dignified prosperity.

A little more than a decade later, Abu Dhabi introduced its “Economic Vision 2030,” a comprehensive strategy for long-term economic diversification. This initiative seeks to promote knowledge-based industries by developing a highly skilled workforce, establishing world-class infrastructure, and fostering an efficient, globally integrated corporate landscape².

The United Arab Emirates’ initiative to establish a diverse, knowledge-driven economy for the twenty-first century aligns with the Modi administration’s approach to optimizing India’s economic capabilities. A key aspect of the Modi administration’s foreign policy is the promotion of economic engagement. This initiative is bolstered by the administration’s “Neighborhood” and “Extended Neighborhood” programs, which aim to enhance regional cooperation. Central to India’s regional strategy is its partnership with the UAE.

Recent developments in India-UAE relations can also be attributed to their broadly aligned geopolitical perspectives and mutual security interests. Both nations recognize the interdependence of security in the Gulf and the Indian Ocean, as well as the threats posed by violent extremism from non-state actors to their respective goals. This mutual understanding lays the groundwork for dialogue and practical defense collaboration in areas such as maritime security and counterterrorism³.

The India-UAE partnership is not only rooted in historical ties and longstanding economic relations but is also forward-looking. The unique bond between these two countries has strengthened over time, underscored by recent high-level exchanges that reflect their commitment to these connections.

Currently, the relationship between India and the UAE is defined by shared economic and commercial interests, alongside a robust political commitment to preserving their existing partnership and fostering the development of a more resilient and dynamic alliance.

Evolving Trade with Progressive Growth between India and UAE:

The diplomatic relations between India and the United Arab Emirates, established in 1952, are evolving to enhance mutual benefits for both nations. India ranks as the second-largest trading partner of the UAE, contributing 9% to its overall foreign trade and 14% to non-oil exports. Conversely, the UAE holds the position of India’s third-largest trade partner. The trade volume between India and the UAE has surged from US\$ 180 million annually in the 1970s to an impressive US\$ 84.84 billion in the fiscal year 2023. Projections indicate that the value of non-oil trade between the UAE and India is anticipated to exceed US\$ 100 billion within the next five years. In the fiscal year 2023-24, bilateral trade between India and the UAE reached US\$ 83.6 billion, solidifying the UAE’s status as India’s third-largest trading partner and the second-largest destination for Indian exports, following the USA and China. Additionally, the UAE ranks as the seventh-largest investor in India, with cumulative foreign direct investment (FDI) inflows amounting to US\$ 18.50 billion from April 2000 to March 2024⁴. The UAE is also home to 3.5 million Indians, who constitute 30% of the Emirate’s population, making them the largest expatriate community in the region. Their remittances play a crucial role as a significant source of foreign earnings. India exports a diverse array of products to the UAE, including petroleum products, precious metals, stones, gems and jewelry, minerals, food items, textiles, and engineering and construction materials. Conversely, India’s primary imports from the UAE consist of petroleum and petroleum products, precious metals, stones, gems and jewelry, minerals, chemicals, and wood and wood products.

Prospectus of CEPA between India and UAE:

In acknowledgment of their 50 years of strong bilateral relations, the leaders of India and the United Arab Emirates have resolved to enhance their

2. The Abu Dhabi Economic Vision 2030, <https://www.actvet.gov.ae/en/media/lists/elibraryld/economic-vision-2030-full-versionen.pdf>
3. MEA, “India-UAE Joint Statement during State visit of Crown Prince of Abu Dhabi to India (January 24-26, 2017),” January 26, 2017, <https://mea.gov.in/bilateral-documents.htm?dtl/27969/India++UAE+Joint+Statement+during+State+visit+of+Crown+Prince+of+Abu+Dhabi+to+India+January+2426+2017;and+JaishankarhailsUAE-Indiarelations,EmiratesNewsAgency,September6,2020,https://wam.ae/en/details/1395302867681>.
4. IBEF, INDIA-UAE TRADE. <https://www.ibef.org/indian-exports/india-uae-trade>

Comprehensive Strategic Partnership. The landmark Comprehensive Economic Partnership Agreement (CEPA), which came into effect on May 1, 2022, was established between India and the UAE. To address shared global challenges, both nations will need to intensify their collaborative efforts. This partnership is expected to foster new dynamics in trade, investment, and innovation, while also enhancing bilateral engagement across various sectors. Within five years of the agreement's signing, the CEPA is projected to create job opportunities, elevate bilateral trade in goods to \$100 billion, and increase trade in services to \$15 billion. It has opened up prospects for numerous industries, particularly those that are labor-intensive, including textiles, gems and jewelry, pharmaceuticals, and agriculture.

Investment Analysis:

An estimated investment of \$17 to \$18 billion has been made by the UAE in India, positioning it as India's ninth-largest foreign direct investor. In the fiscal years 2020–21, the sovereign wealth funds of the UAE contributed approximately \$4.12 billion to the Indian economy. The UAE's investments in India are concentrated in five key sectors: services (15.78%), maritime transport (8.80%), energy (8.34%), infrastructure construction (7.15%), and development projects related to townships and housing (7.08%). Numerous joint ventures and investments have been established in India by businesses based in the UAE⁵.

The National Investment and Infrastructure Fund (NIIF) and the Abu Dhabi Investment Authority (ADIA) have entered into a \$1 billion investment agreement aimed at enhancing investments in India's energy, transportation, and various infrastructure sectors. Additionally, Indian companies are projected to invest over \$85 billion in the United Arab Emirates. Numerous Indian firms have set up manufacturing plants for products such as cement, construction materials, textiles, engineering goods, and consumer electronics, either through joint ventures or within Special Economic Zones.

Deepening Cooperation in Sectors of Advanced

Technology, Space Cooperation and Knowledge Economy:

India and the United Arab Emirates formalized a Memorandum of Understanding in 2018, aiming to generate approximately \$20 billion over a decade. This initiative seeks to address the swiftly evolving technological requirements and fulfill their respective national goals. Deepak Bagla, the managing director and CEO of Invest India, emphasizes that India and the UAE are inherently aligned as partners in artificial intelligence, owing to their synergistic human capital and strong innovation credentials. Presently, India stands as the fastest-growing market opportunity globally⁶.

The United Arab Emirates has intensified its initiatives to foster the development of a knowledge-based economy by expanding the availability of "golden visa" residency permits. This strategy aims to attract exceptional talent to the country and enhance the knowledge sector. Eligible candidates for these ten-year visas include medical professionals, engineers, doctoral candidates, and specialists in advanced technological fields such as artificial intelligence (AI), big data, virology, and epidemiology. In the realm of space exploration, collaboration between the UAE Space Agency (UAESA) and the Indian Space Research Organization (ISRO) has emerged as a significant focus, representing a new frontier for power acquisition and wealth generation⁷. The partnership gained momentum during Prime Minister Modi's visit to the UAE in 2015. The two agencies successfully developed and launched the Nayif-1 nano-satellite from the Satish Dhawan Space Centre in Sriharikota, India. Future cooperation is anticipated in the Emirates' "Red Planet Mission," with the UAE's Mars Hope Probe being developed under the guidance of K. Radhakrishna, a former ISRO leader who subsequently joined UAESA, and launched in July 2020 from the Tanegashima Space Center.

Looking Ahead:

The partnership between India and the UAE has evolved from a basic, unidirectional interaction into a robust bilateral growth narrative, driven by consistency,

5. <https://tradedstat.commerce.gov.in/eidb/ecntcom.asp>

6. "UAE and India sign agreement on Artificial Intelligence," *Gulf News*, July 28, 2018, <https://gulfnews.com/uae/government/uae-and-india-sign-agreement-on-artificial-intelligence-1.2258074>.

7. Suneeti Ahuja-Kohli, "Space, the next frontier for UAE-India cooperation," *Khaleej Times*, February 5, 2018, <https://m.khaleejtimes.com/international/india/space-the-next-frontier-for-uae-india-cooperation>.

dedication, and proactive measures. The extensive multi-stakeholder strategy and approach adopted by both governments enhance their mutual understanding and respect. This perspective is articulated by Shri Piyush Goyal, the Indian government's minister of commerce and industry, consumer affairs, food and public distribution, and textiles. "Thesky is the limit for ourtrade and economicties as we commit to building as hared future and enhancing the prosperity of our people⁸".

The signing of the India-UAE Comprehensive Economic Partnership Agreement (CEPA) marks the beginning of a prosperous era in economic and trade collaboration between the two nations. Moving forward, India and the UAE are committed to enhancing their cooperation in areas such as technology, innovation, and start-ups. It is essential to not only broaden the scope for Indian investments in the UAE but also to position the UAE as a central hub for trade, manufacturing, and logistics serving the GCC, African, and European markets. These initiatives should encompass sectors including infrastructure, retail, healthcare, education, and technology. To foster collaboration between these two emerging economies and to build new pathways for balanced and equitable growth, the Confederation of Indian Industry (CII) established an office in the UAE in 2017, thereby reinforcing the ties between India and the UAE. Since its inception, CII has been instrumental in nurturing these bilateral relations. Following the implementation of CEPA, CII convened the inaugural India-UAE Economic Partnership Summit to explore innovative partnership opportunities aimed at revitalizing trade and investment between the two countries. The summit served as a forum for dialogue, discussion, and engagement, under the theme "India-UAE CEPA – Unleashing the Golden Era," further advancing the agenda of strengthening partnerships between India and the UAE.

Defense collaboration between the two nations has significantly increased since 2003, following the visit of the Chief of Staff of the UAE armed forces to India. This visit and subsequent discussions led to the initiation of the Desert Eagle bilateral exercises between the Indian Air Force (IAF) and the UAE Air Force. These training

activities have enhanced security coordination and preparedness between India and the UAE. Furthermore, the first joint naval exercise, Gulf Star-1, conducted in 2018, is expected to establish a robust foundation for future cooperation in maritime security⁹.

The United Arab Emirates is keen to shift from an economy reliant on oil to one that is knowledge-based, thereby enhancing the potential for collaboration with India in significant fields of science, technology, and innovation (STI). The robust foundation of science and technology in India, which encompasses STEM education, space exploration, and nuclear technology, positions both nations to transform the nature and breadth of their partnership. This ambition is reflected in the Indian government's initiative to establish the first Indian Institute of Technology (IIT) branch outside of India in the UAE, as outlined in the Comprehensive Economic Partnership Agreement (CEPA), which includes provisions for the IIT's branch in Dubai.

In addition to strengthening their economic ties and interpersonal relationships, India and the UAE are becoming increasingly attuned to the evolving geopolitical dynamics of the region. The signing of the Abraham Accords in August 2020 has opened new avenues for collaboration between Israel and the UAE. A notable example of this is the formation of the Middle East Quad, comprising India, Israel, the UAE, and the United States. Despite their distinct areas of expertise, these four nations are demonstrating a willingness to venture beyond traditional boundaries and explore collaborative opportunities across various sectors, including critical and emerging technologies, without being limited to security and defense matters¹⁰.

The United Arab Emirates participated in the G20 Summit held in New Delhi in September 2023 as a guest nation for the second consecutive year. Under India's leadership, the G20 presents opportunities to explore new and beneficial dimensions in the relationship between the UAE and India. This engagement will further our mutual goal of expanding and enhancing trade, which has been bolstered by the swift approval of the Comprehensive Economic Partnership Agreement (CEPA). By improving market access and creating opportunities in vital sectors,

8. <https://www.indembassyuae.gov.in/bilateral-eco-com-relation.php>

9. "NavalshipsexercisetoboostUAE-India ties," *Khaleej Times*, March 18, 2018, <https://www.khaleejtimes.com/nation/naval-ships-exercise-to-boost-uae-india-ties>.

10. Jaishankar, D. and Madan, T. (2021). How the quad can match the hype. *Foreign Affairs*, 15.

CEPA is expected to increase the total value of bilateral non-oil trade to \$100 billion over the next five years¹¹.

The United Arab Emirates' pro-business initiatives emphasize its position as a launchpad for enterprises seeking to excel in advanced manufacturing and achieve a global presence. This is complemented by America's extensive multi-sector capabilities, India's vast talent and resource reservoirs, and Israel's robust technological expertise. Consequently, India is afforded a more extensive platform for engagement through the I2U2 framework, facilitating the establishment of enduring commercial alliances. Furthermore, the UAE has made substantial investments in India's food processing and agricultural technology sectors, with projections indicating that up to \$7 billion will be directed towards India's large-scale food parks, agricultural logistics, warehousing, and hubs for fruits and vegetables, stemming from the UAE-India food corridor connectivity initiative.

The United Arab Emirates and India exhibit numerous parallels in their energy strategies. The UAE stands out as an ideal collaborator for India's objective of achieving 450 GW of installed renewable energy capacity, owing to its extensive clean energy portfolio and significant expertise in the field. Furthermore, both nations are aligned in their long-term commitments to achieving Net Zero emissions. The UAE is also exploring public-private partnerships with India in various sectors, including carbon markets, agricultural efficiency, green hydrogen, and the deployment of renewable energy. Moreover, ongoing discussions regarding biofuels, green hydrogen, and industrial decarbonization introduce fresh insights into the collaborative efforts of both countries to address global energy demands and tackle climate change.

In the coming year, India is set to take on the vice-chair position of the Indian Ocean Rim Association (IORA), an essential international body for both nations. In light of the challenges posed by the global pandemic, the significance of IORA in fostering regional cooperation on security and intra-regional trade has never been more critical.

In June 2023, India will host the SCO Summit, with the UAE participating as a dialogue partner. This engagement offered the UAE a valuable opportunity to foster dialogue and build consensus aimed at enhancing regional cooperation and facilitating access to strategically

significant markets, which collectively represented 20% of the global Gross Domestic Product and encompass 40% of the world's population. To capitalize on the opportunities presented by the evolving economic landscape, the anticipated strengthening of collaboration between India and UAE on critical initiatives was realized.

Conclusion:

The developing relationship between India and the UAE signifies a robust and expanding alliance in various domains, including trade, investment, technology, and strategic collaboration. Both nations have prioritized the enhancement of economic relations, resulting in substantial bilateral trade, with the UAE emerging as a vital partner in India's energy and infrastructure domains. Furthermore, cultural exchanges and interpersonal connections have deepened, fostering greater mutual understanding and cooperation. As both countries work to broaden their collaboration on global challenges such as security and climate change, their partnership presents significant opportunities for further development and regional impact in the years ahead.

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