



## **DAILY EDITORIAL ANALYSIS**

**TOPIC**

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**INDIA-UAE ECONOMIC CORRIDOR:  
FROM MILESTONE TO MOMENTUM**

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## INDIA-UAE ECONOMIC CORRIDOR: FROM MILESTONE TO MOMENTUM

### Context

- The economic partnership between **India** and the **United Arab Emirates** has been achieved **five years ahead of schedule** and sought a **new target of \$200 billion by 2032**.

### About India and the United Arab Emirates Relations

- Political & Diplomatic Relations:** Diplomatic ties established in **1972**, and relationships elevated to **Comprehensive Strategic Partnership in 2017**.
  - It includes frequent high-level visits between leaders, and strong cooperation in regional stability and counter-terrorism.
  - The **UAE is one of the few countries** where the **Indian Prime Minister** has received the **UAE's highest civilian honor**.
- Economic & Trade Relations:** UAE is **India's third-largest trading partner**;
  - Bilateral trade exceeds **\$80–85 billion annually**;
  - UAE is a major source of **FDI (Foreign Direct Investment)** into India;

### Policy Backbone: CEPA and Beyond

- CEPA Agreement:** India and UAE signed the **Comprehensive Economic Partnership Agreement (CEPA)** in 2022, and both nations set **\$100 billion in bilateral trade by 2030**.
  - It eliminated tariffs on roughly 90% of goods.
  - CEPA is a **free trade agreement** that reduces or removes tariffs (import taxes), makes trade cheaper and faster, encourages investment, and boosts exports.
- Bilateral Investment Treaty (2024):** It provides investor protections.
- Strategic defence partnership:** It adds geopolitical depth.

### Economic Scale and Transformation

- Trade Beyond Oil:** Non-oil trade between the two nations grew **nearly 20% last year**, reaching \$65 billion.
  - It signals a decisive evolution from an energy-centric relationship to a diversified economic partnership.
- Indian Diaspora & Connectivity:** Nearly **5 million Indians** live and work in the UAE.
  - Air connectivity:** Over 1,200 flights weekly, one of the busiest air corridors globally.
  - India-UAE relations** has evolved into a **diversified economic corridor** spanning **manufacturing, logistics, finance, and advanced technology** along with **oil-and-energy relationship**
- Industrial and Manufacturing Expansion:** Indian businesses have partnered with UAE's counterpart in **low-carbon chemicals projects** (more than \$2 billion), electric bus production, and solar-plus-storage projects.
  - Indian Oil Corporation, and Hindustan Petroleum Corporation Limited signed long-term LNG deals for **energy security & LNG agreements**, strengthening **energy security for India** while deepening strategic ties.
- UAE Investments in India:** UAE businesses committed in Indian infrastructure, banking and FDI, healthcare, renewables, and technology.
  - Abu Dhabi Investment Authority** became the **first sovereign wealth fund** to establish a base in **GIFT City**.
  - UAE investment into India:** Over \$22 billion since 2000;
  - Indian investment into the UAE:** More than \$16 billion;
- Expanding into Third Markets:** **Bharat Mart** (*under construction*) aims to serve as a **wholesale hub for Indian goods** and double India's exports to regions like **Africa, West Asia, and Eurasia**.
  - The two nations are exploring *joint digital infrastructure initiatives, capacity-building projects across Africa, and collaborative trade facilitation mechanisms*.
- Artificial Intelligence:** India is **hosting the AI Impact Summit in New Delhi**, the **first global AI summit in the Global South**. It reflects **India's growing influence** in shaping AI governance and deployment.

- The UAE, which **appointed the world's first Minister of State for AI in 2017**, has heavily invested in AI research and infrastructure. Cooperation is already underway in advanced computing capacity, data centres, and AI-driven innovation ecosystems.

### Concerns & Issues That Need to Be Addressed in India-UAE Relations

- **Overdependence on Energy Trade:** Although non-oil trade has grown significantly under the **CEPA**, hydrocarbons still form a significant component of the economic relationship.
  - Both countries need to accelerate diversification into renewables, hydrogen, manufacturing, and digital sectors to future-proof the corridor.
- **Labor and Welfare Concerns:** While reforms have improved labor protections, challenges remain like contract transparency, wage disputes, working conditions in certain sectors, and skill mobility barriers.
  - Because the diaspora forms the human backbone of the partnership, labor-related concerns can quickly become diplomatic sensitivities.
- **Geopolitical Instability in the Gulf:** The UAE sits in a strategically sensitive region near the **Strait of Hormuz, a chokepoint for global energy flows.**
  - **Risks include** regional tensions involving Iran, maritime security threats, and spillover from broader Middle East conflicts.
  - India relies heavily on Gulf energy imports and remittance flows. Any instability could affect supply chains and financial inflows.
- **Trade Imbalances and Market Access Issues:** While trade volumes are rising, certain sectors face barriers, like **non-tariff measures** (regulatory standards, certification rules), compliance costs for SMEs, and logistics bottlenecks.
  - Even with CEPA removing tariffs on about 90% of goods, implementation challenges remain.
- **Financial System Exposure:** With major investments flowing through **sovereign wealth funds** and **banking acquisitions**, financial interdependence is increasing.
  - **Potential concerns** include exposure to global financial shocks, currency volatility, and banking sector regulatory alignment.
  - For example, cross-border banking investments require strong regulatory coordination between central banks.
- **Technology and Data Governance:** As cooperation expands into AI, fintech, and digital infrastructure, new complexities arise like **data localization rules, cybersecurity coordination, intellectual property protection, and ethical AI governance.**
- **Strategic Balancing in a Multipolar World:** Both India and the UAE maintain diversified global relationships:
  - India engages with the US, Russia, EU, and Indo-Pacific partners.
  - The UAE balances ties with Western countries, China, and regional powers.
    - The challenge is maintaining strategic autonomy while deepening bilateral integration.

### Way Forward

- **India's Global Moment:** India is now the **world's fourth-largest economy**, with GDP approaching \$4 trillion. Its strengths include entrepreneurial depth, expanding manufacturing capability, and world-class digital public infrastructure.
  - Indian businesses are increasingly global in ambition.
- **Strategic Convergence:** The recent **Delhi Declaration** between **India and Arab Foreign Ministers** outlined expanded cooperation through 2028 across politics, economy, energy, technology, and security.
- India-UAE partnership will be measured by the **depth of economic integration**, the **scale of joint global outreach**, and the **ability to lead in emerging sectors** like AI and clean energy.
  - Growth accelerates when policy alignment, capital strength, and strategic execution converge.

Source: TH

### Daily Mains Practice Question

**[Q]** The India-UAE Economic Corridor has evolved from an energy-based relationship into a multi-sector strategic partnership. Discuss.