



## India-UAE Ties: From Tradition to Transformation

*This editorial is based on "[Leverage historical ties for new areas of cooperation](#)" which was published in Hindustan Times on 09/09/2024. The article highlights that UAE-India partnership has strengthened significantly in recent years, with notable growth in trade, investment, and cultural ties. The Comprehensive Economic Partnership Agreement (CEPA) and new initiatives like the UAE-India Start-up Bridge signal a promising future for this strategic relationship.*

**For Prelims:** [UAE-India bilateral relationship](#), [Comprehensive Economic Partnership Agreement](#), [Crude oil supplier](#), [Foreign Direct Investment](#), [Zayed Talwar](#), [BAPS Hindu Temple in Abu Dhabi](#), [I2U2](#), [Abraham Accords](#)

**For Mains:** Significance of UAE for India, Major Areas of Friction Between India and UAE.

The [India-UAE bilateral relationship](#) has experienced significant growth and deepening of historical bonds in recent years. The **visit of Abu Dhabi's Crown Prince** to India underscores the importance of this **strategic partnership**. The relationship has seen remarkable progress across **political, economic, and cultural spheres**, with the UAE becoming India's second-largest export destination, third-largest trading partner, and fourth-largest investor. The [Comprehensive Economic Partnership Agreement \(CEPA\)](#) implemented in **May 2022** has been a game-changer, boosting total trade by nearly 15% and **significantly increasing non-oil trade by 20% in 2023-24**.

Both nations are committed to expanding their partnership beyond traditional power centers to emerging cities across India. Initiatives like the **UAE-India Cultural Council** and the **UAE-India Start-up Bridge** aim to strengthen cultural ties and foster entrepreneurship. This multifaceted approach promises a bright future for UAE-India relations, with potential for building a **resilient, inclusive, and prosperous partnership**.

//



## What is the Significance of UAE for India?

- **Economic Powerhouse- Gateway to the Gulf:** The UAE serves as India's economic **springboard to the Middle East and North Africa (MENA) region.**
  - As **India's third-largest trading partner**, bilateral trade reached **USD 84.5 billion** in FY 2022-23.
  - The **Comprehensive Economic Partnership Agreement**, implemented in May 2022, has been a game-changer, eliminating tariffs on 80% of Indian exports to the UAE.
    - This has led to a **5.8% increase in non-oil trade in the first half of 2023**, with projections to reach **USD 100 billion** by 2030.
  - The UAE's strategic location and world-class infrastructure make it an **ideal re-export hub** for Indian goods to Africa and Europe.
- **Energy Security:** As **India's fourth-largest crude oil supplier**, the UAE plays a crucial role in India's energy security.
  - Oil imports from the UAE **surged by 81% in January, 2024.**
  - Beyond traditional hydrocarbons, the two nations are collaborating on renewable energy projects.
  - This partnership aligns with India's ambitious goal of achieving **500 GW of renewable energy capacity by 2030**, showcasing the UAE's significance in India's energy transition.
- **Investment Catalyst:** **Foreign Direct Investment (FDI)** from the UAE to India jumped over three-fold to **USD 3.35 billion from USD 1.03 billion** in 2021-22.
  - The **UAE-India High-Level Joint Task Force on Investments** has been instrumental in facilitating investments.
  - Abu Dhabi Investment Authority has invested **Rs 4,966.80 crore** into Reliance Retail Ventures Limited.
- **Strategic Partner:** The UAE has become a crucial strategic partner for India in the **Middle East**, particularly in countering terrorism and ensuring maritime security.
  - The two countries conducted their **bilateral naval exercise, "Zayed Talwar,"** in 2021, emphasizing their growing defense cooperation.
  - **India's access to the UAE's Al Dhafra air base** for refueling has enhanced its strategic reach.
- **Remittances and Soft Power:** The **3.5 million-strong** Indian diaspora in the UAE is a significant source of remittances and soft power for India.
  - India received close to **USD 111 billion** in remittance flows from around the world in 2022, with the **UAE being one of the largest sources of remittances.**
  - Beyond economic contributions, the diaspora enhances cultural ties and people-to-people

connections.

- The construction of the [BAPS Hindu Temple in Abu Dhabi](#), symbolizes the UAE's religious tolerance and strengthens bilateral cultural bonds.
- Indian tourists in the **UAE** and those living in the Emirates who have bank accounts in India can use the [UPI network](#).
- **Tech and Innovation Hub:** The UAE-India partnership is increasingly focusing on technology and innovation.
  - The [I2U2 \(India, Israel, UAE, USA\) group](#), formed in 2021, aims to drive technological cooperation, particularly in areas like clean energy and food security.
  - The UAE's **USD 2 billion investment** in food parks across India, announced in 2022, exemplifies this collaboration.
  - Additionally, the **UAE-India Artificial Intelligence Bridge, launched in 2018**, facilitates knowledge exchange and joint research in AI, positioning both countries at the forefront of the Fourth Industrial Revolution.

## What are the Major Areas of Friction Between India and UAE?

- **Labor Rights Tightrope:** Despite improvements, labor rights issues persist for Indian workers in the UAE.
  - Reports of **passport confiscation, wage theft, and poor living conditions** continue to surface.
  - Indian workers in the [Gulf](#) file 1 labor complaint a day on average. While the UAE has implemented reforms like the **Wage Protection System**, enforcement remains a challenge.
  - India's delicate balancing act **between protecting its citizens and maintaining strong economic ties with the UAE creates tensions in bilateral relations.**
- **Geopolitical Juggling Act:** India's deepening ties with **Israel and the UAE's normalization** with Israel through the [Abraham Accords](#) create a complex geopolitical landscape.
  - While this opens opportunities for trilateral cooperation (as seen in the I2U2 initiative), it also risks **entangling India in regional rivalries, particularly with Iran.**
  - The UAE's growing ties with China, **exemplified by the deal for Chinese L-15 aircraft**, pose potential strategic challenges for India.
  - Balancing these relationships while maintaining its strategic autonomy remains a delicate task for Indian diplomacy.
- **Energy Transition Turbulence:** As both India and the UAE commit to **net-zero targets (2070 and 2050 respectively)**, their **traditional hydrocarbon-based relationship** faces challenges.
  - India's push for renewable energy, aiming for **50% of its energy mix by 2030**, **potentially conflicts with the UAE's oil export interests.**
  - Navigating this transition while maintaining energy security and economic ties requires careful calibration.
- **Trade Imbalance Tangle:** Despite growing trade volumes, a significant imbalance persists in India-UAE trade relations.
  - In **FY 2022-23**, India's trade deficit with the UAE stood at **USD 16.78 billion**. This imbalance, largely due to oil imports, creates economic vulnerabilities for India.
  - While the CEPA aims to address this by boosting Indian exports, challenges remain in diversifying trade beyond hydrocarbons.
- **Maritime Security Maneuvering:** India and the UAE share concerns over maritime security in the **Arabian Sea**, crucial for their trade and energy flows.
  - However, **coordinating responses to threats like piracy and terrorism** while respecting each other's strategic autonomy poses challenges.
  - The **UAE's growing naval presence**, exemplified by its base in Somaliland, and **India's expanding maritime footprint in the region** necessitate careful coordination to avoid potential conflicts of interest and **ensure complementary rather than competitive strategies.**

## What Measures can India Adopt to Enhance its Relations with UAE?

- **Digital Diplomacy Drive:** India can harness its IT prowess to create a dedicated digital platform

for India-UAE collaboration.

- This could include a **real-time trade portal, a joint innovation hub**, and a digital skills exchange program.
- India could work with the UAE to expand its **cross-border digital payment system in other Gulf countries**.
- This initiative could **reduce transaction costs, enhance financial inclusion, and facilitate easier remittances**.
- **Green Energy Corridor:** India should propose a comprehensive "**India-UAE Green Energy Corridor**" to align with both countries' climate goals.
  - This could involve **joint investments in renewable energy projects, technology transfer in areas like green hydrogen**, and collaborative research on sustainable desalination techniques.
  - This initiative could also include setting up a **joint climate change research center**, focusing on desert ecology and sustainable urban development, leveraging India's scientific expertise and the UAE's financial resources.
- **Skill Bridge Program:** Implement a targeted "**Skill Bridge Program**" to upskill Indian workers for the UAE job market, **focusing on emerging sectors like AI and sustainable technologies**.
  - For instance, partnering with the **UAE's National Program for Coders**, India could offer specialized courses in areas like blockchain and machine learning.
  - This initiative **would not only enhance the employability of Indian workers but also contribute to the UAE's knowledge economy goals**.
- **StartUp Synergy Scheme:** Develop a "**StartUp Synergy Scheme**" to foster collaboration between Indian and UAE startups.
  - This could include a joint incubation program, a bilateral startup fund, and reciprocal market access facilitation.
  - For instance, **leveraging India's vibrant startup ecosystem and the UAE's financial heft**, the scheme could aim to nurture ample of India-UAE joint ventures.
  - Specific focus areas could include **fintech, healthtech, and agritech**, aligning with both countries' development priorities.
  - The scheme could also include a "**Startup Visa**" program, allowing easier movement of entrepreneurs between the two countries.
- **Maritime Cooperation Blueprint:** Formulate a comprehensive "**India-UAE Maritime Cooperation Blueprint**" to enhance collaboration in maritime security, blue economy initiatives, and port development.
  - This could include **shared maritime domain awareness systems**, and collaborative marine research projects.
  - For example, building on the bilateral naval exercise "**Zayed Talwar**," India and the UAE could aim to conduct joint patrols in the Arabian Sea as well.
  - The blueprint could also include developing **two joint deep-sea ports, one each in India and the UAE**, to enhance trade connectivity and maritime presence in the Indian Ocean region.

## How can the UAE can Help India to Enhance its Ties with the Middle East?

- **Diplomatic Bridge-Builder:** The UAE, with its **strategic position and diplomatic clout**, can act as a **bridge** between India and other Middle Eastern nations.
  - Its role in facilitating **back-channel talks between India and Pakistan in 2021** demonstrates this potential.
  - The UAE could help **organize a regional summit, including India**, focusing on shared challenges like climate change and food security.
  - This could build on frameworks like the I2U2 (India, Israel, UAE, USA) group, **expanding it to include other Gulf Cooperation Council (GCC) countries**, potentially creating an "**Extended I2U2**" forum for regional cooperation.
- **Economic Integration Catalyst:** Building on the success of the India-UAE Comprehensive Economic Partnership Agreement (CEPA), the **UAE could advocate for similar agreements between India and other GCC nations**.
  - The UAE's position as a **re-export hub** could **facilitate India's economic integration with the broader Middle East**.



- This could aim to increase India's trade with the GCC.
- **Energy Security Facilitator:** The UAE can play a crucial role in enhancing India's energy security by facilitating broader energy partnerships in the region.
  - This could involve joint investments in oil fields, collaborative research in renewable energy, and creation of regional energy grids.
  - For example, the **UAE could accelerate discussions on the undersea pipeline project connecting the Middle East to India**, potentially including countries like Oman.
- **Cultural Diplomacy Hub:** Leveraging its multicultural society and India's large diaspora, the UAE can serve as a **hub for Indo-Arab cultural exchange**.
  - It could host **annual cultural festivals showcasing Indian and Middle Eastern arts, literature, and cuisine**.
  - The UAE could also facilitate the establishment of Indian cultural centers across the Middle East, similar to the BAPS Hindu Temple in Abu Dhabi.

## Conclusion

The **India-UAE partnership** has evolved significantly, blending historical ties with modern strategic cooperation. The **Comprehensive Economic Partnership Agreement (CEPA)** and initiatives in **energy, trade, and technology** have strengthened relations. Both nations are poised for continued growth, leveraging shared cultural connections and emerging global opportunities for a resilient and prosperous future.

### **Drishti Mains Question:**

The UAE has emerged as a key strategic partner for India, with deepening ties in trade, investment, defense, energy, and technology over the past decade. Discuss the significance of the UAE for India in terms of economic, strategic, and geopolitical interests.

## UPSC Civil Services Examination Previous Year Questions (PYQs)

### **Prelims:**

**Q. Which of the following is not a member of 'Gulf Cooperation Council'? (2016)**

- (a) Iran
- (b) Saudi Arabia
- (c) Oman
- (d) Kuwait

**Ans: (a)**

### **Mains:**

**Q. The question of India's Energy Security constitutes the most important part of India's economic progress. Analyse India's energy policy cooperation with West Asian countries. (2017)**