



India-UAE Relations

For Prelims: [Nuclear Power Corporation of India Limited \(NPCIL\)](#), [Barakah Nuclear Power Plant](#), [Liquefied Natural Gas \(LNG\)](#), [India Strategic Petroleum Reserve Limited \(ISPRL\)](#), [I2U2 Grouping](#), [Comprehensive Economic Partnership Agreement \(CEPA\)](#), [Exercise Desert Cyclone](#), [India-Middle East-Europe Economic Corridor \(IMEC\)](#), [Abraham Accords](#), [Gulf Countries](#).

For Mains: Significance of UAE for India, Challenges Involved in India-UAE Relations.

[Source: TH](#)

Why in News?

Recently, **India** and the **United Arab Emirates (UAE)** held bilateral talks with the aim to deepen ties and enhance their [Comprehensive Strategic Partnership](#).

- The crown prince of **Abu Dhabi** was hosted by India's Prime Minister at Hyderabad House in New Delhi. Both countries inked several pacts to **expand energy ties**.

What are the Key Agreements Signed During the Visit?

- **Civil Nuclear Cooperation:** India and UAE signed a Memorandum of Understanding (MoU) for [civil nuclear cooperation](#).
 - The deal involves the [Nuclear Power Corporation of India Limited \(NPCIL\)](#) and the **Emirates Nuclear Energy Company (ENEC)** for operation and maintenance of [Barakah Nuclear Power Plant](#).
 - The Barakah Nuclear Energy Plant is situated in **Al Dhafra**, within the **Emirate of Abu Dhabi** in UAE. It is the Arab world's first nuclear power plant.
- **Energy:**
 - **LNG Supply:** An MoU was signed for long-term [Liquefied Natural Gas \(LNG\)](#) supply between UAE and India.
 - **Strategic Petroleum Reserve (SPR):** An MoU was signed with [India Strategic Petroleum Reserve Limited \(ISPRL\)](#) for supply of petroleum.
 - SPRs are **stockpiles of crude oil** maintained by countries ensuring a stable supply of crude oil even during times of geopolitical uncertainty or supply disruptions.
- **Food Parks:** A MoU was signed with the **Government of Gujarat** on [food parks](#) development in India.
 - India and the UAE are part of the [I2U2 grouping](#) under which food parks in **Gujarat and Madhya Pradesh** were envisaged.

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Why is the UAE Important for India?

- **Strategic Political Partnership:** The elevation of India-UAE relations to a '**comprehensive strategic partnership**' and the establishment of a '**strategic security dialogue**' reflect the growing **political and strategic alignment** between the two countries.
- **Bilateral Trade:** The UAE is India's **third-largest** trading partner.
 - The **Comprehensive Economic Partnership Agreement (CEPA)** signed in 2022 has further boosted trade, with bilateral trade having increased from **USD 72.9 billion** (April 2021-Mar 2022) to **USD 84.5 billion** (April 2022-Mar 2023) registering a year-on-year increase of **16%**.
- **Foreign Direct Investment (FDI):** UAE emerges as **fourth largest investor** in India during FY23.
 - In FY23, **FDI** from the UAE to India surged over three-fold to **USD 3.35 billion** from USD 1.03 billion in 2021-22.
- **Energy Security:** The UAE is a key **oil supplier** for India and plays a critical role in India's **Strategic Petroleum Reserve (SPR)** which is vital for India's **energy security**.
- **Finance:** The introduction of **India's RuPay card** and **Unified Payments Interface (UPI)** in the UAE highlights the growing financial collaboration.
 - Both countries agreed for a **Local Currency Settlement (LCS)** System to promote the use of **Indian Rupee and AED (United Arab Emirates Dirham)** for cross-border transactions.
- **Space Exploration:** **ISRO** and **UAE Space Agency (UAESA)** signed an MoU regarding cooperation in the **exploration and use of outer space** for peaceful purposes .
- **Defence and Security Cooperation:** The UAE and India have strengthened their **defence and security** cooperation, focusing on counter-terrorism, intelligence sharing, and joint military exercises. E.g., **Exercise Desert Cyclone**.
 - Additionally, the UAE's interest in Indian defence products such as **BrahMos missiles**, Akash air defence systems, and the Tejas fighter jet gained momentum during this period.
- **Multilateral Engagements:** The formation of the **I2U2 grouping (India-Israel-UAE-US)** and the UAE's participation in the **India-Middle East-Europe Economic Corridor (IMEC)** reflect the strategic and economic significance of the UAE in regional and global multilateral engagements.
- **Regional Stability:** The UAE's role in the **Abraham Accords** and the subsequent normalisation of diplomatic relations with Israel underline the UAE's importance in fostering regional harmony and stability.
 - Stability in the **Middle East** is crucial for India as India is **heavily dependent on Gulf nations for its energy needs** (oil and gas imports).
- **Cultural and Diaspora Links:** The large **Indian diaspora** in the UAE, comprising about **3.5 million people**, forms a crucial link between the two nations.
 - Initiatives like the inauguration of the first **Hindu temple in Abu Dhabi** reflect the shared

values of **tolerance and coexistence**, enhancing cultural ties between India and the UAE.

- **Cooperation During Covid-19:** During the [Covid-19 pandemic](#), both countries provided each other with medical supplies, equipment, and [vaccines](#).
 - This collaboration in the healthcare sector has strengthened their partnership and demonstrated their commitment to supporting each other in **times of crisis**.

What are the Challenges in India-UAE Relations?

- **Limited Diversification of Trade Categories:** Despite **CEPA** boosting overall trade, there is insufficient progress in expanding into new categories.
 - The trade remains **concentrated** in a few sectors, such as **gems and jewellery, petroleum, and smartphones**, which hampers broader economic benefits and reduces trade diversification.
- **Rising Import Costs:** Imports from the UAE have increased significantly, **growing by 19%** year-on-year to **USD 53,231 million in FY23**.
 - This rise in imports, coupled with the **high dependency** on certain categories, affects the **trade balance** and puts pressure on India's trade surplus.
- **Non-Tariff Barriers:** Indian exports face hurdles like mandated **Halal certification**, which affects the export volume of processed foods. These [non-tariff barriers](#) can limit India's market access and competitiveness in the UAE.
- **Human Rights Concerns:** Issues related to the **Kafala system**, particularly concerning the rights of **migrant labourers**, are a significant concern.
 - The **kafala (sponsorship system)** gives citizens and companies in [Gulf countries](#) almost total control over migrant workers' employment and immigration status.
- **Diplomatic Balancing Act:** The need to navigate regional conflicts, such as the [Israel-Hamas war](#) and tensions between **Iran and Arab nations**, poses additional challenges to India.
- **Financial Support to Pakistan:** The UAE's financial assistance to Pakistan raises concerns about **potential misuse** for anti-India activities.
 - This support can create friction between India and the UAE, complicating diplomatic efforts.

Way Forward

- **Promote Trade Diversification:** Focus on emerging sectors such as **technology, renewable energy, and pharmaceuticals** to achieve a more balanced trade relationship and harness broader economic benefits.
- **Strengthen Economic Ties:** Explore opportunities for **joint ventures and partnerships** that can enhance economic collaboration and mitigate the impact of high import costs.
- **Enhance Dialogue on Human Rights:** Initiate discussions with UAE authorities to address concerns related to the **Kafala system**. Advocate for reforms that improve the rights and working conditions of migrant labourers, aligning with international labour standards.
- **Focus on Areas of Common Interests:** Engage in proactive diplomacy to align on common interests and ensure that geopolitical tensions do not adversely impact bilateral relations.

Drishti Mains Question:

Analyse the significance of the United Arab Emirates (UAE) in India's foreign policy strategy.

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)

Q.Consider the following statements: (2008)

1. Ajman is one of the seven Emirates of the UAE.
2. Ras al-Khaimah was the last Sheikhdome to join the UAE.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

Ans: (c)

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)**

Q. Project 'Mausam' is considered a unique foreign policy initiative of the Indian government to improve relationships with its neighbours. Does the project have a strategic dimension? Discuss **(2015)**