

# Trade, Energy, and Diplomacy: Pillars of India-UAE Bilateral Relations

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## Abstract:

The bilateral relationship between India and the United Arab Emirates (UAE) has developed into a multifaceted strategic partnership, reflecting deep-rooted historical, economic, cultural, and defense ties. This relationship between them has flourished after 1970s with the formation of the UAE, and culminating in a significant economic and political alliance. This study provides nuance information of high-level diplomatic engagements, such as Prime Minister Narendra Modi's multiple visits which have accelerated cooperation across sectors. The study also explained the economic relationship between both nations. For instance Economic ties are robust, with the UAE emerging as India's third-largest trade partner and a leading foreign investor. Agreements like the Comprehensive Economic Partnership Agreement (CEPA) and Local Currency Settlement (LCS) highlight mutual interests in boosting trade and energy security. Additionally, the study also examines the defence relationship between India and UAE. Defense cooperation, reflected in joint military exercises and security dialogues, underscores shared geopolitical interests. Cultural ties are reinforced by the large Indian diaspora in the UAE, which serves as a bridge for economic and social collaboration. Despite challenges like trade imbalances, the two nations are poised to expand their partnership into technology, renewable energy, and defense. This paper examines the trajectory of India-UAE relations, exploring key drivers, mutual benefits, and future avenues for strategic engagement.

**Keywords:** India-UAE Relations, Economic Partnership, Defense Cooperation, Cultural Exchange, Trade and Investment, Strategic Partnership.

## Introduction:

India and United Arab of Emirate (UAE) bilateral relations are progressive in nature. UAE and India have enjoyed friendly, strong and sustainable relationships for centuries. Over the time between both nations relations have become stronger. Relations between India and UAE can be traced since the Harappan Civilization (2500-2000 BCE) and have a close relation with ancient trade network. It was flourished after the formation of UAE in 1971. Between both nations, relationship is based on trade, and shared trade links through the centuries. It was accelerated during 1970's when H. H. Sheikh Zayed Bin Sultan Al Nahyan came to power in UAE. From the Arab world, UAE is the biggest investor in India, which is accounting around 81% of investment from the Arab world. Between both nations the bilateral relation has enhanced by the recent exchange of high-level visits from both sides. Since last few decades, the relationships between two nations have been characterized by their shared economics and commercial interest as well as political commitment.

Relationship between both countries are fostering after the establishment of embassy in both nations. India opened its embassy in Abu Dhabi in 1973 and UAE in New Delhi in 1972. UAE also established the Emirati consulate in Mumbai in 1973. Relations between them have strengthened tremendously over the decade. Political rapprochement and economic interest bring them together to establish close relations. India and UAE both nations have great potential for further development and growth. UAE's strategic location and its global economic positions are great opportunity for India to strengthen its position and presence in the West Asian Region. UAE also shows interest to enhance its relations with India because of its investor-friendly environment and largest population in the world<sup>1</sup>.

### **Bilateral visits:**

India-UAE bilateral relations have been flourished by the time to time high level visits of both sides. From the India sides, President Dr. Fakhruddin Ali Ahmed visited in UAE in 1976. After the formation of UAE, it was time in 1981 when Indian Prime Minister Indira Gandhi visited to UAE. Recently Indian President A.P.J. Abdul Kalam, Shri Pranab Mukharjee and Smt. Pratibha Singh Patil visited in 2003, 2008 and 2010 respectively. After the 34 years of former PM Indira Gandhi's visit, Prime Minister Modi visited UAE in 2015. After this visit both nations have gained new momentum in bilateral relations. In the last nine years Indian Prime Minister Modi visited seven times to UAE, most recent visit was in February in 2024. It was seventh visit to UAE by PM Modi since 2015 and third within three month. During this visit PM Modi hold bilateral meeting with UAE President Sheikh Mohamed bin Zayed Al Nahyan and discussed the ways to further deepen, expand and strengthen the strategic partnership between the countries, as well as both leaders exchanged their views on regional and international issues of mutual interest. During visit he also inaugurated the BAPS Mandir, the first Hindu temple in Abu Dhabi, and addressed the Indian community in the Zayed Sports City stadium in Abu Dhabi. During the visit of 2022, PM Modi signed a Comprehensive Economic Partnership Agreement (CEPA) with UAE, and another agreement Local Currency Settlement (LCS) System was signed by him in the visit of July 2023. He also visited in Nov-Dec 2023 to attend COP28-World Climate Action Summit in Dubai.

There have been multiple visits to India by UAE's President Sheikh Zayed bin Sultan Al Nahyan in 1975 and 1992. Recently in 2007 and 2010, UAE's Vice President and Prime Minister Sheikh Mohammed bin Rashid Al Maktoum visited in India and also Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan visited in 2007 and 2011. In 2009 and 2012, UAE's Minister of Foreign Trade Sheikh Lubna bin Khalid Al Qasim visited India to participate in the CII partnership Summit<sup>2</sup>. Recently in 2016 and 2017, UAE's President HH Sheikh Mohamed bin Zayed visited India as Crown Prince of Abu Dhabi. To attend the G20 Summit, he visited India as President in September 2023 and he was invited by India as the Chief Guest of 10<sup>th</sup> Vibrant Gujarat Summit in January 2024<sup>3</sup>.

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<sup>1</sup> UAE, India: A lasting friendship and advanced relationship. (2016, February 11). Latest News, Breaking News, LIVE News, Top News Headlines, Viral Video, Cricket LIVE, Sports, Entertainment, Business, Health, Lifestyle and Utility News | India.Com. <https://www.india.com/news/india/uae-india-a-lasting-friendship-and-advanced-relationship-937871/>

<sup>2</sup> Government of India. (2012). *India-UAE relations*. <https://www.mea.gov.in/Images/pdf/india-uae-relations-16-05-2012-press-release.pdf>

<sup>3</sup> MEA (2024). *India-UAE bilateral relations*. [https://www.mea.gov.in/Portal/ForeignRelation/India\\_UAE2024n.pdf](https://www.mea.gov.in/Portal/ForeignRelation/India_UAE2024n.pdf)

**Trade and Economic relations:**

Since the establishment of diplomatic relations between India and UAE in 1972, economic synergies have continued to deepen. However, a major shift in the economic relations between the two nations happened post 1990s. Currently in the West Asia and North Africa (WANA) region, the UAE is the biggest trading partner of India and also emerged as India's third largest trade partner after China and US in FY 2023 with total non-oil bilateral trade valued at USD 84.84 billion and it will increase to over USD 100 billion in the next five years. It was US\$ 180 million per annum during the 1990s. During the fiscal year of 2023-24, UAE is the fifth largest FDI investor in India after Mauritius, Singapore, the US, and the UK<sup>4</sup>. Although, it was at fourth position in 2022-23. UAE has committed to increase its FDI investment in India. If we trace the trade history of India and UAE, we found that it is centered on traditional items including dates, pearls, and fisheries and new discovered items like oil and gas are dominating the trade. Developing economic relations are playing a key role in enhancing the stability and deepening strategic partnership between India and UAE. Both countries are strengthening these ties to ensure mutual benefits.

India is highly dependent on UAE after Iraq and Saudi Arabia for energy sources including crude oil, LNG and LPG in the West Asia. Recently in 2024, India and UAE have signed four agreements in the energy sector consisting of LNG trade, petroleum supplies, nuclear plants operation and maintenance and production concession pact. The first agreement was for the long-term LNG supply (one million metric tonnes per annum) to the Indian Oil Corporation Ltd by the Abu Dhabi National Oil Company (ADNOC) another was between ADNOC and ISPRIL. The third agreement has been signed between NPCIL and ENEC to enhance cooperation in the operation and maintenance of nuclear power plants. The fourth and last agreement has been signed between Urja Bharat and ADNOC<sup>5</sup>. India exports several items to UAE including petroleum products, precious metals, stones, gems and jewellery, minerals, food items, engineering and machinery products, and chemicals. India also imports some items from UAE such as petroleum and petroleum products, wood and wood products, stones, minerals, precious metals and chemicals. For the establishment of Local Currency Settlement (LCS) System to promote the use of INR and AED for cross-border transactions, a MoU was signed between RBI and the Central Bank of UAE.

**Cultural relations:**

India and UAE both countries share strong cultural relations and cultural exchange at both official and people-to-people levels. A cultural agreement was signed by both nations in 1975 to enhance bilateral cultural activities. The Indian diaspora is the largest ethnic group in UAE, which is accounted for around 3.5 million. It is the largest population of Indian diaspora anywhere in the world. These diasporas are an integral part of the growth and development of UAE's economy. They are also making a significant contribution to the Indian economy and constitute a friendship relation between the two nations. India and UAE have signed a Comprehensive Economic Partnership Agreement (CEPA) on Feb 18, 2022 and both countries' leaders agreed to establish a UAE-India Cultural Council to facilitate bilateral cultural cooperation<sup>6</sup>. Both

<sup>4</sup> Pti. (2024, June 2). *India receives highest FDI from Singapore in 2023-24; Mauritius second biggest investor: Government data*. The Hindu. <https://www.thehindu.com/business/Economy/india-receives-highest-fdi-from-singapore-in-2023-24-mauritius-second-biggest-investor-government-data/article68242434.ece>

<sup>5</sup> [https://www.business-standard.com/external-affairs-defence-security/news/four-agreements-signed-between-indian-uae-entities-in-energy-sector-124090900729\\_1.html](https://www.business-standard.com/external-affairs-defence-security/news/four-agreements-signed-between-indian-uae-entities-in-energy-sector-124090900729_1.html)

<sup>6</sup> *UAE Embassy in New Delhi-Cultural cooperation*. (n.d.). <https://www.mofa.gov.ae/en/Missions/New-Delhi/UAE-Relationships/Cultural-Cooperation>

countries have also signed an Executive Programme for Cultural Cooperation (EPCC) in Feb 2016 to strengthen their cultural ties and promote cultural activities and cooperation.

On the vocation of 150<sup>th</sup> birth anniversary of Mahatma Gandhi and 100<sup>th</sup> birth anniversary of Sheikh Zayed, the Zayed-Gandhi Digital Museum had launched by Minister of Foreign Affairs and International Cooperation of UAE and Minister of External Affairs of India on December 4, 2019. Leaders of both countries released Postal Stamps on Mahatma Gandhi's 150<sup>th</sup> birth anniversary. The New York University Abu Dhabi (NYUAD) and Indian Council for Cultural Relation (ICCR) signed an agreement to establish a Visiting Professorship in Social Science at New York University Abu Dhabi on Aug 26, 2021, aimed to promote border engagement in academics. Ministry of Foreign Affairs and International Cooperation of UAE and ICCR signed a MoU during India-UAE Joint Commission Meeting to establish the Cultural Council to promote cultural cooperation between them in September 2022<sup>7</sup>.

An event "AHLAN MODI" organized in the Zayed Sports City stadium, Abu Dhabi, UAE, in which Indian Prime Minister Shri Narendra Modi addressed the Indian community. He expressed his appreciation for the significant contributions made by the Indian Diaspora in strengthening and enhancing the bilateral relations. He also expressed his gratitude to the government of UAE for his care and support towards the Indian Diaspora as well as for providing job opportunities and facilitating the transfer of money back to India through remittance<sup>8</sup>.

### **Defence and Security relations:**

Bilateral Defence relations between India and UAE have been developed in 21<sup>st</sup> century after the visit of the Chief of Staff of the UAE armed forces to India in 2003. Time to time many high level exchanges at the level of Service Chiefs, functional level exchanges and military education exchange between two countries have been done. Regularly, bilateral exercise have been done by Indian Navy and military with UAE's Navy and military, aimed to strengthen to defence relations and cooperation with each-others. The Annual Defence Dialogue is playing crucial role in developing defense cooperation as well as providing a platform to discuss the security and defence co-operation relates issues. All defence co-operation between them conduct by a Joint Defence Co-operation Committee (JDCC) at ministry level. The main objective of the JMCC is identifying new areas and opportunities of cooperation between them. Recently on July 09, 2024, the 12<sup>th</sup> edition of the JDCC was held in Abu Dhabi. Major focus of the meeting was discussing the several areas such as training, joint military exercises, defence cooperation, subject matter expert and R&D initiatives<sup>9</sup>. Both nations have established a permanent resident Defence Adviser (DA) office, which monitor the defence training and regular exchange programs, to strengthen the bilateral defence cooperation in 2013. In the last few years, there have been shown a tremendous positive change in the field of defence, security and energy cooperation between two nations.

Recently in 2016, India Air Force participated in a bilateral exercise with UAE counterparts. In March 2018 UAE were participated as an observer in the Trilateral Air Exercise on HADR. In March 2018, a

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<sup>7</sup> <https://www.indembassyuae.gov.in/cultural-relation.php>

<sup>8</sup> Prime Minister's interaction at the Indian Community Event - AHLAN MODI in UAE. (2024). Ministry of External Affairs, Government of India. [https://www.mea.gov.in/press-releases.htm?dtl/37622/Prime\\_Minister39s\\_interaction\\_at\\_the\\_Indian\\_Community\\_Event\\_3939AHLAN\\_MODI3939\\_in\\_UAE](https://www.mea.gov.in/press-releases.htm?dtl/37622/Prime_Minister39s_interaction_at_the_Indian_Community_Event_3939AHLAN_MODI3939_in_UAE)

<sup>9</sup> Ministry of Defence (2024). 12th Joint Defence Cooperation Committee meeting between India & UAE held in Abu Dhabi to strengthen bilateral defence & security ties. <https://pib.gov.in/PressReleasePage.aspx?PRID=2031839>

Joint Naval Exercise “Gulf Star 1” was conducted by the India Navy and UAE Navy to establish a foundation for maritime security cooperation. In Feb 2019, Delegation from Ministry of Defense of UAE participated in the Aero India event in Bengaluru<sup>10</sup>. In the sector of maritime security both countries have developed their security cooperation and reflecting the shared interest to ensure the safe and open sea lanes in the Indian Ocean as well as in the Persian Gulf. UAE participated in the Desert Eagle which is joint initiative of India Air Force (IAF) and the UAE Air Force (UAE AF). It is a bilateral air combat exercise aimed to enhancing cooperation and interoperability during peacekeeping operations and as well fighting in buildup areas in desert or semi-desert terrain. UAE Land Force participated in the 1<sup>st</sup> edition of the India-UAE Joint Military Exercise “Desert Cyclone” in Mahajan, Rajasthan from 2<sup>nd</sup> to 15<sup>th</sup> January 2024.<sup>11</sup>

### Challenges:

India-UAE relations have flourished in the last few decades. Yet both nations are facing several hurdles in their relations. After signing the CSP in January, 2017, both nations have had got significant achievement in their relationship, but its survival and future development totally depends on how India will deal with the challenges of their strategic relationship. After the signing of Comprehensive Economic Partnership Agreement (CEPA), India-UAE trade relations have indeed boosted significantly. However this growth has been accompanied by an increasing trade deficit for India. In FY 2021-22, India recorded a trade deficit of USD 16.78 billion with the UAE, a substantial increase from the USD 1.40 billion deficit in FY 2019-20. Given this increasing imbalance, it is obligatory for India to take strategic steps to mitigate the trade deficit and work towards a more balanced trade relationship<sup>12</sup>. It is also necessary for both nations to enhance and diversify their trade into new areas such as technology and renewable energy, to ensure sustained economic growth and balanced trade relationship. Non-tariff barriers such as UAE’s mandatory Halal certification, created hurdles for Indian exporters to process food export. Such non-tariffs are creating barriers to improving market access and enhancing trade opportunity between countries<sup>13</sup>.

### Conclusion:

UAE and India have enjoyed friendly, strong and sustainable relationships for centuries. The traditionally strong bilateral relationship between India and UAE gained new momentum when Prime Minister Narendra Modi visited the UAE in 2015, the first visit by an Indian Prime Minister in 34 years. Today India-UAE ties are truly in an era of new milestones. Relationship between both countries are fostering after the establishment of embassy in both nations. India opened its embassy in Abu Dhabi in 1973 and UAE in New Delhi in 1972. UAE also established the Emirati consulate in Mumbai in 1973.

Since the establishment of diplomatic relations between India and UAE in 1972, economic synergies have continued to deepen. However, a major shift in the economic relations between the two nations happened

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<sup>10</sup> <https://www.indembassyuae.gov.in/defence-relation.php>

<sup>11</sup> Tnn. (2024, January 17). India, UAE’s drill ‘Desert Cyclone’ ends in Bikaner. *The Times of India*. <https://timesofindia.indiatimes.com/city/jaipur/india-and-uaes-joint-military-exercise-desert-cyclone-in-rajasthan/articleshow/106913015.cms>

<sup>12</sup> *India-UAE Bilateral trade: Trends and outlook - India Guide | Doing Business in India*. (n.d.). <https://www.india-briefing.com/doing-business-guide/india/trade-relationships/india-uae-bilateral-trade-trends-and-outlook>

<sup>13</sup> *View of Indo-UAE strategic relationship since 2014: challenges and prospects*. (n.d.). <https://www.thinkindiaquarterly.org/index.php/think-india/article/view/19685/14551>



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