



India-UAE Relations

For Prelims: India-UAE Relations, [Bilateral Investment Treaty \(BIT\)](#), [FDI \(Foreign Direct Investment\)](#), [India-Middle East Economic Corridor \(IMEC\)](#).

For Mains: India-UAE Relations, Economic and Strategic Significance of India UAE Relation, Measures to boost bilateral relations.

Source: [IE](#)

Why in News?

Recently, India and the United Arab Emirates (UAE) have signed eight pacts to bolster cooperation in key areas such as investments, electricity trade and digital payment platforms.

What are the Key Highlights of the Pact Signed Between India-UAE?

- **Interlinking of Digital Payment Platforms:**
 - Interlinking of UPI and AANI:
 - The two countries signed agreements on [interlinking of digital payment platforms- UPI \(India\) and AANI \(UAE\)](#).
 - This will facilitate seamless cross-border transactions between India and UAE, enhancing financial connectivity and cooperation.
 - **Interlinking Domestic Debit/Credit Cards (RuPay and JAYWAN):**
 - Both countries signed a pact on interlinking domestic debit/ credit cards — **RuPay (India) with JAYWAN (UAE)**.
 - It is **an important step in building financial sector** cooperation and it will enhance the universal acceptance of RuPay across the UAE.
 - UAE's domestic card JAYWAN is based on the **digital RuPay credit** and debit card stack.
- **Bilateral Investment Treaty:**
 - Both Countries signed [Bilateral Investment Treaty \(BIT\)](#), which is seen to be a **“Key Enabler”** for further investments in both countries.
 - UAE has been a significant **investor in India's infrastructure sector**.
 - In 2022-2023, **UAE was the fourth biggest [FDI \(Foreign Direct Investment\)](#) investor** for India. It has committed to invest USD 75 billion in India's infrastructure sector.
- **Intergovernmental Framework Agreement on India-Middle East Economic Corridor (IMEC):**
 - It aims to be built to **foster India-UAE cooperation**, furthering regional connectivity. The [IMEC](#) was announced on the sidelines of the [G20 leaders' summit in New Delhi in September 2023](#).
- **Energy Cooperation:**
 - The two sides also signed pacts on cooperation in the field of **electrical interconnection and trade**, which “opens new areas of collaboration in the field of energy, including

energy security and energy trade.

- UAE being among the largest sources of [crude and LPG](#), India is now entering **into long-term contracts for LNG**.

▪ **Cultural Cooperation:**

- The two countries signed a “cooperation protocol **between the National Archives of the two countries**” to restore and preserve archival material.
- Both countries aimed at supporting the [Maritime Heritage Complex at Lothal, Gujarat,](#)”.

- **Gratitude for BAPS Temple Construction:**

- India thanked the UAE for its support in granting land for the construction of the [BAPS Temple](#) in Abu Dhabi, emphasizing the significance of the temple as a symbol of UAE-India friendship and cultural bonds.

▪ **Port Infrastructure Development:**

- Agreements signed between **RITES Limited and Gujarat Maritime Board** with Abu Dhabi Ports Company to enhance port infrastructure and connectivity between India and the UAE.

▪ **Bharat Mart:**

- The foundation stone of Bharat Mart, which will combine **retail, warehousing and logistics facilities** at Jebel Ali Free Trade Zone in Dubai, was laid by the Indian Prime Minister.
- Bharat Mart can potentially play a key role in promoting the exports of India’s [micro, small and medium sectors](#) by providing them with a platform to reach **international buyers** in the Gulf, West Asia, Africa and Eurasia.



What is BAPS Temple?

▪ **About:**

- BAPS (Bochasanwasi Akshar Purushottam Swaminarayan Sanstha) temples are religious and **cultural centres affiliated with the Swaminarayan Sampradaya, a [Vaishnava sect of Hinduism](#)**.
 - The doctrine of Swaminarayan Sampradaya was given by Bhagwan Swaminarayan, which is firmly rooted in the traditional Hindu scriptures.
 - BAPS has a network of around 1,550 temples across the world, including the **Akshardham temples** in New Delhi and Gandhinagar, and Swaminarayan temples in London, Houston, Chicago, Atlanta, Toronto, Los Angeles, and Nairobi.
- **Features:**
- **Traditional Architecture:** The Abu Dhabi temple is a traditional stone Hindu temple **with seven shikhars**. Built in the [traditional Nagar style](#), the temple's front panel depicts universal values, stories of harmony from different cultures, Hindu spiritual leaders and avatars.
 - The height of the temple is 108 ft, length 262 ft and width 180 ft. While the external facade **uses pink sandstone from Rajasthan, the interior uses Italian marble**.
- **Architectural Features:**
- Non-ferrous material (which resists corrosion) has been used in the temple.
 - While many different types of pillars can be seen in the temple, such as circular and hexagonal, there is a special pillar, **called the 'Pillar of Pillars'**, which has around 1,400 small pillars carved into it.
 - Deities from all four corners of India have been featured in the temple. These include **Lord Ram, Sita, Lakshman and Hanuman, Lord Shiv, Parvati**, Ganpati, Kartikeya, Lord Jagannath, Lord Radha-Krishna, Akshar-Purushottam Maharaj (Bhagwan Swaminarayan and Gunatitanand Swami), Tirupati Balaji and Padmavati and Lord Ayappa.
 - Apart from 15 value tales from [Indian civilisation](#), stories from the [Maya civilisation](#), Aztec civilisation, Egyptian civilisation, Arabic civilisation, European civilisation, Chinese civilisation and African civilisation have been depicted.

How have India-UAE Bilateral Relations Been So Far?

▪ **About:**

- India and the **UAE established diplomatic relations in 1972**.
- The greater push was achieved in bilateral relations when the visit of India's Prime Minister to the UAE in August 2015 marked the beginning of a new strategic partnership between the two countries.
- Further, during the visit of the Crown Prince of Abu Dhabi to India in January 2017 as the chief guest at [India's Republic Day celebrations](#), it was agreed that bilateral relations were to be upgraded to a comprehensive strategic partnership.
 - This gave momentum to launch negotiations for an [India-UAE comprehensive economic partnership agreement](#).

▪ **Economic Relations:**

- The economic partnership between India and the UAE has flourished, with **bilateral trade reaching USD 85 billion in 2022-23**. The UAE is India's third-largest trading partner and second-largest export destination.
 - The aim is to boost bilateral merchandise trade to above USD 100 billion and services trade to USD 15 billion in five years.
- Also, many Indian companies have set up manufacturing units either as joint ventures or in [Special Economic Zones \(SEZs\)](#) for cement, building materials, textiles, engineering products, consumer electronics, etc. in the UAE.
- Under India's revamped **FTA strategy**, the Government has prioritised at least six countries/regions to deal with, in which the UAE figures at the top of the list for an [early harvest deal \(or Interim Trade Agreement\)](#), the others are the UK, the EU, Australia, Canada, Israel and a group of countries in the [Gulf Cooperation Council \(GCC\)](#).
 - The UAE too announced earlier its intent to pursue bilateral economic agreements with India and seven other countries (U.K., Turkey, South Korea, Ethiopia,

Indonesia, Israel, and Kenya).

▪ **Cultural Relations:**

- The UAE is home to more than 3.3 million Indians, and Emiratis are well acquainted with and open to Indian culture. India participated as the **Guest of Honour Country in Abu Dhabi International Book Fair 2019**.
- Indian cinema/TV/radio channels are easily available and have good viewership; major theaters/cinema halls in the UAE screen commercial Hindi, Malayalam and Tamil films.
- The Emirati community also participates in our annual [International Day of Yoga](#) events and various schools of yoga & meditation centres are running successfully in the UAE.

▪ **Fintech Collaboration:**

- Initiatives such as the acceptance of the [RuPay card in the UAE since August 2019](#) and the operationalization of a **Rupee-Dirham settlement system** demonstrate mutual convergence in digital payment systems.
 - The framework for the use of local currencies for transactions between India and the UAE aims to put in place a **Local Currency Settlement System (LCSS)**.
 - The creation of the LCSS would enable exporters and importers to invoice and pay in their respective domestic currencies, which in turn would enable the development of an **INR-AED (United Arab Emirates Dirham) foreign exchange market**, according to the [RBI](#).

▪ **Energy Security Cooperation:**

- The UAE plays a crucial role in India's energy security, with [strategic oil reserves](#) stored facility in Mangaluru, India.

▪ **Strategic Regional Engagement:**

- India and the UAE are actively engaged in various regional groupings and initiatives such as the [I2U2](#) and the [India-Middle East-Europe Economic Corridor \(IMEC\)](#), reflecting shared interests and strategic alignment.

What are the Challenges in India-UAE Relations?

▪ **Trade Barriers Impacting Indian Exports:**

- [Non-tariff barriers \(NTBs\)](#) like **Sanitary and Phytosanitary (SPS)** measures and Technical Barriers to Trade (TBT), notably mandatory [Halal certification](#), have impeded Indian exports, particularly in sectors such as poultry, meat, and processed foods.
 - These barriers have led to a significant decline in processed food exports to the UAE by almost 30% in recent years, according to a report from India's Ministry of Commerce and Industry.

▪ **Chinese Economic Influence in the UAE:**

- **China's "Cheque Book Diplomacy,"** characterized by offering low-interest loans, has overshadowed Indian economic endeavors in the UAE and the broader Middle East.

▪ **Challenges of the Kafala System:**

- **The [Kafala system](#) in the UAE**, which grants employers considerable power over immigrant labourers, especially those in low-wage jobs, presents significant **human rights concerns**.
 - Instances of **passport confiscation**, delayed wages, and poor living conditions underscore the challenges faced by migrant workers under this system.

▪ **Concerns Over UAE's Financial Support to Pakistan:**

- The UAE's substantial financial aid to Pakistan raises apprehensions about the **potential misuse of these funds**, considering Pakistan's history of sponsoring cross-border terrorism against India.

▪ **Diplomatic Balancing Act Amid Regional Conflicts:**

- India finds itself in a delicate diplomatic position due to the ongoing **conflict between Iran and Arab nations**, notably the UAE.
- The recent outbreak of [war between Israel and Hamas](#) further aggravates the challenges as it runs the proposed IMEC into rough weather.

Way Forward

- India and the UAE should work together to address non-tariff barriers that impede Indian exports, particularly in sectors such as processed foods. Both countries can engage in dialogues to

streamline regulations and facilitate smoother trade flows.

- India can boost its economic presence in the UAE by increasing investments in key sectors and exploring opportunities for joint ventures and partnerships. Fostering a conducive business environment and promoting entrepreneurship can attract more Indian businesses to the UAE.
- India and the UAE can collaborate to counter Chinese economic influence in the region by promoting transparency, sustainability, and fair business practices.
- Both countries should work towards improving the rights and welfare of migrant workers in the UAE, **including reforming the Kafala system**. Ensuring fair wages, decent living conditions, and protecting workers' rights.

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)

Q. Religious indoctrination via digital media has resulted in Indian youth joining the ISIS. What is ISIS and its mission? How can ISIS be dangerous to the internal security of our country? (2015)