

A photograph of two men shaking hands in front of a banner. The man on the left is wearing a dark jacket and glasses, and the man on the right is wearing a dark suit and a red tie. The banner in the background features the Indian and UAE flags at the top, followed by the text "INDIA - UAE" in large blue letters, "Comprehensive Economic Partnership Agreement" in smaller black letters, and "New Delhi, 18th February, 2022" at the bottom. The Indian flag is on the left and the UAE flag is on the right.

INDIA - UAE
Comprehensive Economic Partnership Agreement
New Delhi, 18th February, 2022

SPECIAL REPORT

INDIA-UAE COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (CEPA) DECODED

WHAT IS IN IT FOR THE MULTINATIONALS

APRIL 2022

FOREWORD

INDIA-UAE TRADE AGREEMENT: A WIN-WIN DEAL FOR BOTH

The negotiation and signing of the 880-page Comprehensive Economic Partnership Agreement (CEPA) between India and the United Arab Emirates (UAE) in mere 88 days is symbolic of the trust and deep historic ties between the two nations.

The urgency to further cement the strong bilateral relationship through this landmark trade agreement was clearly visible when it was signed in February during a virtual summit between India's Prime Minister Narendra Modi and Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi.

While the CEPA will benefit businesses dealing in gems and jewellery, petroleum products and dates among others from the UAE end, it will help India's pharma, technology and services sectors. India is expecting to generate one million jobs with the help of the agreement.

The fact that the digital economy has received special attention in the CEPA shows that negotiators have not only taken care of the current needs but have also kept in mind the future requirements emerging from shift towards automation and artificial intelligence, digital trade, fintech, edtech, green tech and sustainability.

Both the countries are also looking at increased competitiveness of their products, especially India, as the deal provides its businesses the much-needed market access to Africa, Central Asia and other Middle Eastern markets through the UAE.

Among the major gainers will be the labour-intensive Indian products exported to the UAE such as textiles, gems & jewellery, medicines, agricultural products, footwear, leather, sports goods, engineering goods, auto components and plastics. More importantly, the agreement also seeks to address UAE's food security and India's energy security issues.

Besides the benefits accruing from the India-UAE CEPA, the deal has also bolstered their efforts to negotiate and sign foreign trade agreements with several other countries on the lines of this agreement.

This report captures the key elements of the agreement and explains what it means for businesses when the deal comes in effect from May 1, 2022.



RAHUL SHARMA
Managing Director – India

The Comprehensive Economic Partnership Agreement between India and UAE is set to be a template for future trade agreements that both the nations are planning to sign with other countries. This report captures what is in store for multinationals in the India-UAE CEPA.

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An aerial, grayscale photograph of the Dubai skyline, featuring the Burj Khalifa as the central, tallest skyscraper. The surrounding cityscape includes various other high-rise buildings and lower-density urban areas, extending towards the coast.

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OVERVIEW

The Comprehensive Economic Partnership Agreement (CEPA) signed between India and the United Arab Emirates (UAE) on February 18 is expected to take off from May 1. The agreement was negotiated and signed within 88 days. It is being viewed as lifting bilateral trade to the next level between the two regions. Both sides feel the deal could become a template for other countries looking at promoting bilateral trade.

The India-UAE CEPA is a full and deep agreement covering all areas of economic cooperation, including trade in goods and services, rules of origin and customs procedures, technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, government procurement, Intellectual Property Rights (IPR), digital trade, investment facilitation along with dispute settlement and cooperation in other areas.

According to India's Commerce and Industry Ministry both countries are looking at a substantial increase in bilateral trade, which is projected to be worth USD 100 billion annually within five years of the implementation of the agreement.

India is also looking at the creation of new employment opportunities across sectors such as gems and jewellery, textiles and apparel, leather, plastics, agro-processing and engineering apart from upward mobility in each-other's value chains—especially in engineering goods, electronics, medical devices and pharmaceuticals. Access to larger markets in the Middle-East and Africa for India; and South, South-East and East Asia for the UAE is also on the list of gains for the two partner nations besides a seamless flow of goods, services, capital and technology.

The India-UAE CEPA is likely to benefit about US\$ 26 billion worth of Indian products that are subject to 5% import duty by the UAE through immediate market access at zero duty accounting for 90% of India's exports in value terms to UAE. Overall, the UAE is offering duty elimination on over 97% of its tariff lines which account for 99% of Indian exports to the UAE in value terms. Immediate duty-free access covers all labour-intensive sectors such as gems and jewellery, textiles and apparel, agricultural and fish products, leather, footwear, sports goods, pharmaceuticals and medical devices and several engineering products.

India has offered significant concessions on tariff lines to the UAE in its items of export interest including dates, petroleum products such as crude, LPG, naphtha; petrochemicals like polyethylene, polypropylene and polyvinyl chloride; metals including aluminium, copper, nickel, iron & steel, among others, and minerals such as limestone, cement and others.

[See full Agreement here](#)



IMPORTANT

FACTS AND DATES

\$100 billion

India-UAE trade to grow to \$ 100 billion within five years
* Total trade during April-October 2021 stood at \$ 39.64 billion

\$11.38 billion

UAE is the 9th largest investor in India with an FDI of US \$ 11.38 billion for the period April 2000-June 2021. UAE also pledged to invest around US\$ 75 billion in India in various sectors.

\$20 billion

Indian nationals (about 3.5 million) comprise over 1/3 of the UAE population of 9.5 million. They remit more than US \$20 billion annually to India.



India-UAE CEPA is a full and deep agreement covering all aspects of bilateral economic cooperation



Negotiations were held in physical and virtual mode and concluded in a record time of around three months (88 days)

18 February 2022

India-UAE CEPA signed

27 March 2022

Agreement unveiled

1 May 2022

Likely to come into effect

INDIA-UAE CEPA

KEY FEATURES AND BENEFITS



Pharmaceuticals Annex

India's First Mutual Recognition Agreement: a separate annex on pharmaceuticals is there to facilitate access of Indian generic medicines.

Indian medicines will now get automatic registration and marketing authorization in 90 days for products approved by the relevant regulatory authorities of Australia, Canada, the European Union, Japan, the United States of America, or the United Kingdom.



Dispute Settlement & Trade Remedies

A breakthrough feature of the CEPA is the definitive permanent safeguard mechanism which has been agreed upon and can be resorted to in a situation of sudden surge in imports.



Rules of Origin (ROO)

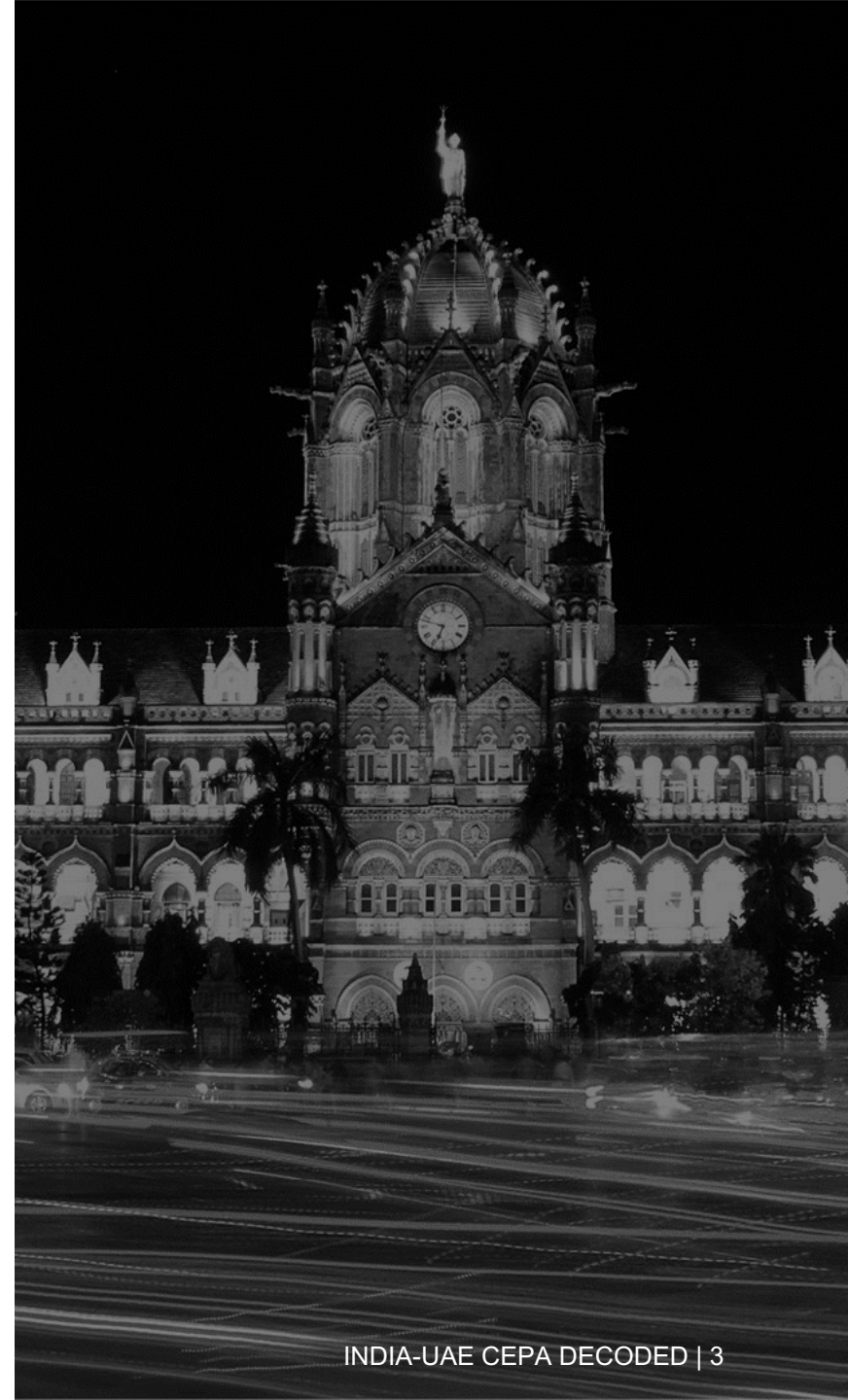
Stringent rules of origin criteria that reflect the requirement for substantial processing of up to 40% for most of the products and wholly obtained criteria for agricultural products.



Only direct exports will be eligible to avail concessions under the agreement. Trans-shipped goods or re-exports are excluded.



Condition of "melt and pour" as Product Specific Rule for steel products for the first time in an Indian FTA



INDIA-UAE CEPA

TARIFF CONCESSIONS

TARIFF MODALITY	GIVEN BY INDIA		GIVEN BY UAE		
	NO. OF LINES	% OF TOTAL LINES	NO. OF LINES	% OF TOTAL LINES	% OF INDIAN EXPORTS IN VALUE
Tariff elimination on entry	7694	64.61%	6090	80.3%	90.00%
Tariff elimination in phased (5-7 years)	2176	18.27%	1089	14.4%	4.80%
Tariff elimination in phased (10 years)	225	1.89%	180	2.23%	4.43%
Tariff Reduction/Quota	656	5.51%	35	0.5%	0.08%
Exclusion	1157	9.72%	187	2.4%	0.69%
Total lines	11908	100%	7581	100%	100%

INDIA-UAE CEPA

SUMMARY OF GAINS IN TRADE IN SERVICES

GAINS FOR INDIA

Market access commitments by the UAE in 111 out of a total of 160 sub-sectors.

Substantial gains in India's key areas of interest such as computer related services, audio visual services, education services, health services, tourism & travel related services, professional services such as nursing, engineering, accountancy, etc. and other business services.

Obligations on mutual recognition of professional and skilled services.

Market access offered for business visitors, intra corporate transferees and contractual services suppliers from India.

GAINS FOR UAE

Market access commitments by India in 100 out of a total of 160 sub-sectors.

Substantial gains/export potential in a range of services sectors viz. other business services, R&D services, computer related services (CRS), financial services, tourism and travel related services, recreational services and transport services.

Avenues for investment in various services sectors especially in sectors where 100% foreign equity has been committed like construction services, environmental services, health services, computer related services among others.

FTAs

A STRATEGIC CALL FOR INDIA

WHERE DOES INDIA STAND?



India's exports have crossed the \$400-billion mark in the previous financial year.



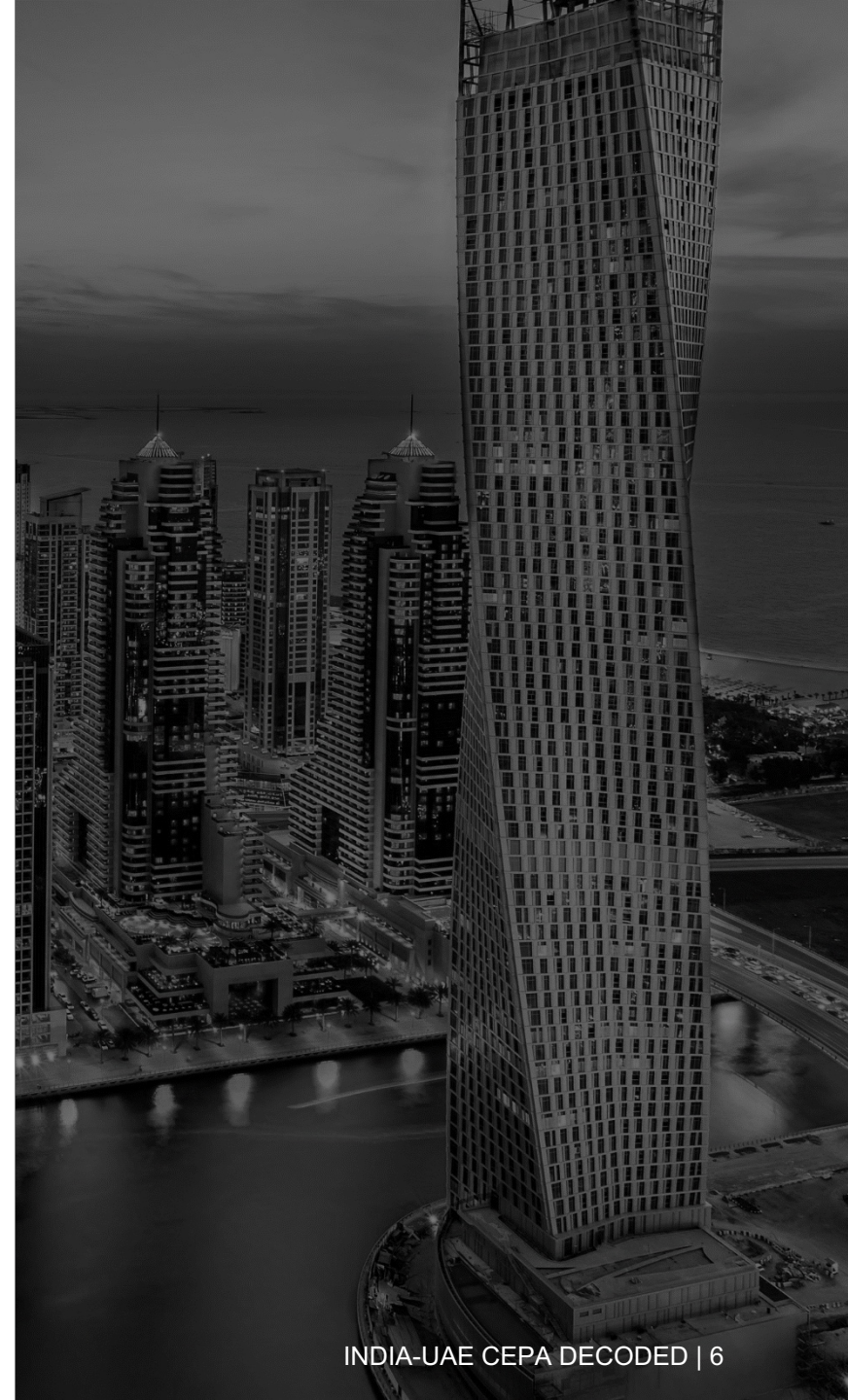
The upswing is being attributed to a healthy performance by sectors such as petroleum products, engineering, gems and jewellery, chemicals, pharmaceuticals and fabrics.



The welcome trend shows that the “Make in India” initiative is on the right track and our MSMEs (micro, small and medium enterprises) are making a strong recovery after the upheaval caused by the pandemic.



India sets itself an ambitious but achievable export target of \$450-500 billion in 2022-23 and is making a push for fresh free trade agreements and trade concessions with major economies and regional blocs.



POTENTIAL FTAs

IN THE NEAR FUTURE

India-UK. India-UK FTA negotiations formally launched on January 13, 2022 during the UK International Trade Secretary Anne-Marie Trevelyan's two-day visit to India for the 15th UK-India Joint Economic and Trade Committee (JETCO).

India-Canada. On March 11, the two countries agreed to formally re-launch negotiations for the India-Canada Comprehensive Economic Partnership Agreement (CEPA) at the fifth Ministerial Dialogue on Trade & Investment (MDTI).

India-Israel. The two countries are engaged in FTA talks and want to sign a deal by mid-2022 as the year marks 30 years of India-Israel formal diplomatic ties.

India-EU. India and the EU restarted their FTA negotiations in goods and services in early 2021 after a gap of eight years. The two regions aim to work out pacts in investments and geographic indications parallel to FTA engagement.

India-South Africa Customs Union (SACU). In July 2020, India revived talks with the SACU bloc for a preferential trade agreement (PTA). In 2019-20, India's trade with Africa stood at US\$66.7 billion, out of which India-SACU trade amounted to US\$10.9 billion. SACU comprises Botswana, Lesotho, Namibia, South Africa and Swaziland.

India-Oman. According to the Indian Embassy in Muscat, bilateral trade between Oman and India during the financial year 2019-2020 stood at US\$5.931bn, while bilateral trade in 2020-2021 (April 2020 to February 2021) was US\$4.63bn. There are over 4,000 India-Oman joint ventures in the sultanate with an estimated investment of over US\$7.5bn.

India-Russia. New Delhi has been discussing the free trade agreement with the Russia-led Eurasian Economic Union (EAEU). In addition to Russia, the EAEU includes, Belarus, Armenia, Kyrgyzstan and Kazakhstan and the combined GDP is around USD 5 trillion. India and Russia have set a target of \$30 billion in bilateral trade by 2025.

India-Gulf Cooperation Council (GCC). India and GCC signed a Framework Agreement for enhancing and developing economic cooperation between the two sides in New Delhi in August 2004. Two rounds of talks for finalizing aspects like tariff rules, rules of origin have been held. The India-GCC FTA is under negotiation.

India-Australia Economic Cooperation and Trade Agreement * The agreement has been signed on April 02 which aims to double trade in goods to US\$50 billion in five years.

* Already signed

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