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# The Gulf's Golden Pivot — How the India-UAE CEPA Is Reshaping India's Western Flank

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**CURATED & WRITTEN BY****Bharat Choudhary**

UPSC Educator &amp; Content Creator •

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# The Gulf's Golden Pivot — How the India-UAE CEPA Is Reshaping India's Western Flank

 The Indian Express

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GS2

GS3



The Indian Express

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



## INTERVIEW ANGLE

*"How does India's engagement with the UAE reflect a shift from a remittance-driven relationship to a strategic partnership? What are the risks and opportunities for India in deepening ties with Gulf monarchies?"*

## WHY IN NEWS

India and UAE announced a pledge to double bilateral trade to USD 200 billion by 2032, alongside a USD 3 billion LNG deal, UAE investment in Dholera SIR, a strategic defence partnership letter of intent, and the proposed "House of India" in Abu Dhabi — capping a series of high-level engagements since the India-UAE CEPA came into force in May 2022.

## THE STRUCTURAL SHIFT IN INDIA-UAE RELATIONS

For much of the post-Independence era, the India-UAE relationship was defined by asymmetry. India was a labour exporter; the UAE was an employer. The terms of engagement were set by petrodollar demand, not strategic choice. Remittances flowed — but the relationship lacked depth, reciprocity, or strategic architecture.

The 2020s have witnessed a fundamental restructuring. The India-UAE Comprehensive Economic Partnership Agreement (CEPA), signed on February 18, 2022 and effective from May 1, 2022, is the most visible marker of this shift. Negotiations that concluded in 88 days — India's fastest-ever FTA — signalled political will on both sides that went beyond commercial calculation. But trade agreements, however significant, do not fully explain the transformation underway.

Three structural drivers are reshaping the relationship:

**First, the UAE's own strategic repositioning.** Since the Abraham Accords (2020), the UAE has actively pursued economic diversification and geopolitical outreach — away from dependence on oil revenues and the older Gulf solidarity framework. The UAE Vision 2031 requires technology, manufacturing, and services

partnerships that the Gulf's hydrocarbon neighbours cannot provide. India, with its IT sector, pharmaceutical industry, and growing defence manufacturing, is a natural fit.

**Second, India's energy security imperative.** India imports 85-88 percent of its crude oil needs, with Gulf states supplying roughly 60-65 percent of that. As India pursues its net-zero commitments while expanding LNG in its energy mix (current gas share: ~6.3 percent; target: 15 percent by 2030), locking in long-term LNG supply from ADNOC Gas at commercially stable terms reduces vulnerability. The USD 3 billion, 10-year ADNOC Gas-HPCL deal does precisely this — and diversifies India's LNG sourcing away from Qatar's dominant position.

**Third, the rise of India-UAE multilateral architecture.** The I2U2 grouping (India, Israel, UAE, USA), focused on food, water, energy, and health, represented a qualitative leap — India was no longer merely a bilateral partner but a co-architect of a regional framework. The India-Middle East-Europe Economic Corridor (IMEC), announced at the G20 New Delhi Summit in September 2023, further embedded India-UAE ties in a global connectivity agenda.

## THE CEPA: GAINS, GAPS, AND THE USD 200 BILLION QUESTION

The CEPA's quantitative achievements are real. Bilateral trade has grown from roughly USD 60 billion pre-CEPA to USD 84.5 billion in 2023-24. India has eliminated tariffs on 99 percent of UAE products by number (covering roughly 90 percent of trade value). Services liberalisation across 100-plus sub-sectors has opened pathways for Indian professionals in financial services, legal consultancy, and IT.

Yet the limitations deserve attention. India's exports to UAE (~USD 35 billion) remain heavily skewed toward commodities: pearls, precious metals, refined petroleum re-exports, and textiles. High-value manufacturing exports — the kind India needs to develop to industrialise — have not scaled as fast as hoped. Meanwhile, India's imports from UAE (~USD 50 billion) include substantial gold and diamond trade that flows through UAE's re-export hub function rather than reflecting genuine bilateral production.

The upgrade of the trade target from USD 100 billion (CEPA 2022) to USD 200 billion by 2032 reflects ambition. Achieving it will require India to export more in electronics, pharmaceuticals, defence hardware, and engineering goods — not just gems and metals. Whether the manufacturing supply-side conditions (PLI schemes, logistics infrastructure, power availability) are in place to support this is the critical question.

## DHOLERA, SEMICONDUCTORS, AND THE MANUFACTURING BET

The UAE's participation in Dholera Special Investment Region (SIR) in Gujarat is strategically significant beyond its commercial value. Dholera (~920 sq km; 100 km from Ahmedabad; a node in the Delhi-Mumbai Industrial Corridor) is the site where Tata Electronics is building India's first commercial-scale semiconductor fabrication facility (Rs 91,000 crore investment under India's Semiconductor Mission).

UAE capital flowing into Dholera's manufacturing and logistics parks signals Gulf sovereign wealth's confidence in India's industrialisation trajectory. It also creates stakeholder alignment — the UAE has now a financial interest in Indian semiconductor manufacturing succeeding, which reduces political risk for India's ambitious chip ambitions.

## THE DEFENCE DIMENSION: CALIBRATED BUT CONSEQUENTIAL

The Strategic Defence Partnership letter of intent covers defence manufacturing co-production, procurement of Indian systems by the UAE (which is building its indigenous defence industry through the EDGE Group), and technology transfer arrangements.

India's defence exports have grown from ₹686 crore (FY2013-14) to approximately ₹23,622 crore (FY2025-26) against a ₹50,000 crore target by FY2028-29. The UAE is already among India's defence export clients. Deepening this relationship raises both opportunity (scale, market access, co-development potential) and complexity (India's traditional non-alignment principles vis-à-vis Middle East conflicts; Gulf states' parallel relationships with Pakistan).

India has navigated this by keeping the defence partnership transactional and technology-focused rather than alliance-based. This calibration is wise but will face pressure as the region's geopolitics grow more volatile.

## WHAT COULD GO WRONG

**Over-indexing on one partner:** The CEPA has given the UAE disproportionate prominence in India's West Asia policy. India's engagement with Saudi Arabia, Qatar, Oman, and Kuwait — each significant in their own right — risks being overshadowed. Saudi Arabia remains India's largest crude supplier; Qatar is the largest LNG source.

**China's presence in the UAE:** The UAE is deeply integrated into China's Belt and Road Initiative. Huawei infrastructure, Chinese manufacturing investments, and UAE's role as a yuan internationalisation hub coexist with India-UAE strategic ties. This dual dependency is not unique to the UAE, but it creates structural ambiguity about how far the "strategic partnership" will hold under pressure.

**Diaspora vulnerability:** 3.5 million Indians in the UAE are India's most important human asset in the Gulf — but also a potential pressure point. Any deterioration in political relations, or Gulf labour law changes, could make this asset a liability.

**UPSC RELEVANCE**

India-UAE CEPA (Feb 18, 2022; effective May 1, 2022; fastest FTA; 88 days); trade target USD 200 billion by 2032; UAE rank (2nd export destination; 3rd trading partner); ADNOC Gas-HPCL LNG deal (\$3bn, 10 years); Dholera SIR location (Gujarat, DMIC); I2U2 (India-Israel-UAE-USA); IMEC (G20 New Delhi, September 2023); India defence exports FY26 (~₹23,622 crore); India LNG rank (4th largest importer)

**MAINS GS-2:**

“Critically evaluate the transformation of India-UAE relations from a labour-remittance corridor to a comprehensive strategic partnership. What structural factors are driving this shift?” | “How does the I2U2 grouping advance India’s middle-power diplomacy in West Asia?”

**MAINS GS-3:**

“Examine India’s energy diplomacy in the Gulf — how is India diversifying its LNG supply and what role does the ADNOC Gas-HPCL deal play in India’s gas transition?”

**INTERVIEW:**

“Does India risk over-dependence on Gulf monarchies in its West Asia strategy? How should India balance its relationships across GCC member states?”

## ★ FACTS CORNER — KNOWLEDGEPEDIA

### INDIA-UAE CEPA:

Signed: February 18, 2022 | Effective: May 1, 2022  
 Fastest India FTA: Negotiations completed in 88 days  
 Duty-free: ~99% Indian products; ~90% of export value  
 Services: 100+ sub-sectors liberalised  
 Original target (2022): USD 100 billion in 5 years  
 Updated target (2026): USD 200 billion by 2032

### INDIA-UAE TRADE (2023-24):

Bilateral trade: ~USD 84.5 billion  
 India exports: ~USD 35 billion (machinery, precious metals, electronics, textiles)  
 India imports: ~USD 50 billion (petroleum, gold, diamonds)  
 UAE: 2nd largest export destination; 3rd largest trading partner  
 Indian diaspora in UAE: ~3.5 million (largest expatriate community)

### ENERGY ARCHITECTURE:

ADNOC Gas-HPCL LNG deal: USD 3 billion, 10-year tenure  
 India's LNG import rank: 4th largest globally  
 India's gas share of energy mix: ~6.3% (target: 15% by 2030)  
 Gulf crude supply: ~60-65% of India's oil imports  
 India's crude import dependence: 85-88%

### MULTILATERAL FRAMEWORKS:

I2U2: India, Israel, UAE, USA — food, water, energy, health  
 IMEC: India-Middle East-Europe Economic Corridor; announced G20 New Delhi, September 2023  
 Gulf remittances to India: ~USD 25 billion/year from GCC (out of India's total USD 120+ billion)

### DHOLERA SIR:

Location: Gujarat (100 km from Ahmedabad)  
 Size: ~920 sq km (one of India's largest greenfield smart cities)  
 Part of: Delhi-Mumbai Industrial Corridor (DMIC)  
 Key investment: Tata Electronics semiconductor fab — Rs 91,000 crore under India Semiconductor Mission

### INDIA DEFENCE EXPORTS:

FY2013-14: ₹686 crore | FY2025-26: ~₹23,622 crore  
 Target: ₹50,000 crore (USD 5 billion) by FY2028-29  
 UAE among top export destinations

### OTHER RELEVANT FACTS:

Abraham Accords (2020): UAE and Bahrain normalised relations with Israel — reshaped Gulf geopolitics  
 EDGE Group: UAE's national defence industry conglomerate (50+ entities)  
 Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE

India's FTA history: ASEAN (2009), Japan (2011), South Korea (2010), Singapore (2005) — then gap until UAE CEPA (2022)

India-UAE House of India: Cultural-commercial centre to be established in Abu Dhabi

Sources: The Indian Express, MEA India, PIB

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CURATED & WRITTEN BY

# Bharat Choudhary

UPSC Educator & Content Creator

 [linkedin.com/in/epicbharat](https://linkedin.com/in/epicbharat)

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