

# India-UAE CEPA

September 24, 2021

**In news**—The first round of negotiations on the India-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) have been launched recently.

## About India-UAE CEPA

- Both sides will aim to conclude negotiations by December 2021 and sign a formal agreement in March 2022 after the completion of internal legal procedures and ratification.
- Looking to build on the progress made by both countries under the Comprehensive Strategic Partnership signed in 2017; both countries expressed a desire to reach a mutually beneficial economic deal.
- It is emphasized that CEPA will create new jobs, raise living standards, and provide wider social and economic opportunities in both nations.
- A new strategic economic agreement is expected to increase bilateral trade in goods to USD 100 billion within five years of the signed agreement and increase trade in services to USD 15 billion.

## About Comprehensive Economic Partnership Agreement (CEPA)

- CEPA aims at lowering trade barriers instead of complete elimination.
- CEPA also looks into the regulatory aspect of trade and encompasses an agreement covering the regulatory issues. CECA has the widest coverage.
- CEPA covers negotiation on the trade in services and investment, and other areas of economic partnership.
- It may even consider negotiation on areas such as trade facilitation and customs cooperation, competition, and IPR.
- India has signed CEPAs with Japan and South Korea.

- In 2010, Canada and India launched negotiations toward a Comprehensive Economic Partnership Agreement (CEPA). The most recent round of negotiations was held in August 2017 in New Delhi.

## **India-UAE relations**

- **The UAE is currently India's third-largest trading partner** with bilateral trade in 2019 and 2020 valued at 59 billion dollar.
- **The UAE is also India's second-largest export destination after the US**, with exports valued at approximately 29 billion dollars in 2019-2020.
- India was the UAE's second-largest trading partner in 2019, with bilateral non-oil trade valued at USD 41 billion.
- **The UAE is the eighth-largest investor in India**, having invested USD 11 billion between April 2000 and March 2021, while investment by Indian companies in the UAE is estimated to be over USD 85 billion.
- **India's major exports to the UAE include** petroleum products, gems and jewellery, minerals, food items such as cereals, sugar, fruits and vegetables, tea, textiles and chemicals.
- **India's top imports from the UAE include** petroleum and petroleum products, precious metals, stones, gems and jewellery, minerals, chemicals and wood and wood products.

## **Other types of trade agreements**

### **Free Trade Agreement**

- It is an agreement in which two or more countries agree to provide preferential trade terms, tariff concession etc. to the partner country.
- **Here a negative list of products and services is maintained** by the negotiating countries on which the

terms of FTA are not applicable hence it is more comprehensive than preferential trade agreement.

- India has negotiated FTA with many countries e.g. Sri Lanka and various trading blocs as well e.g. ASEAN.

### **Preferential Trade Agreement**

- In this type of agreement, two or more partners give preferential right of entry to certain products. This is done by reducing duties on an agreed number of tariff lines.
- **Here a positive list is maintained** i.e. the list of the products on which the two partners have agreed to provide preferential access.
- Tariffs may even be reduced to zero for some products even in a PTA.
- India signed a PTA with Afghanistan.

### **Comprehensive Economic Cooperation Agreement**

- CECA generally covers negotiation on trade tariff and TQR rates only. It is not as comprehensive as CEPA.
- India has signed CECA with Malaysia.

### **Framework agreement**

- Framework agreement primarily defines the scope and provisions of orientation of the potential agreement between the trading partners.
- It provides for some new area of discussions and set the period for future liberalisation.
- India has previously signed framework agreements with the ASEAN, Japan etc.

### **Early Harvest Scheme**

- An Early Harvest Scheme (EHS) is a precursor to an FTA/CECA/CEPA between two trading partners. For example, the early harvest scheme of RCEP has been rolled out.
- At this stage, the negotiating countries identify

certain products for tariff liberalization pending the conclusion of actual FTA negotiations.

- An Early Harvest Scheme is thus a step towards enhanced engagement and confidence building.