Chapter 3: Indo-UAE Bilateral Commercial Relations

Introduction
India and the seven emirates which now form the United Arab Emirates have had social and mercantile contact since the third century BCE.\(^1\) India’s interaction with this region was mainly based on commerce. People-to-people contact and barter trade between the Indic and the present-day UAE regions helped them develop a comprehensive and diversified relationship. This long-term partnership was based on shared geopolitical and historical realities.

The strong commercial relationship between the Indic and Arab regions resulted in some cultural exchanges as well. The relationship deepened further during the rise of Islam. The period between the seventh and the tenth century BCE is considered the golden age of Indo-Arab trade relations.\(^2\) Long-term cultural contact, however, started around the middle of the eighth century BCE and has since been a reciprocal exchange.

A Brief Presentation of Export-Import Items between India and the UAE
The teak wood that was used for boat-building and house-building in the Arabic region was exported by India. The most sought-after item, however, was the Indian sword which was named *Al Muhanned* by the Arabs, favoured for its sharpness and suppleness. Besides swords, raw iron was also imported in large quantities from India. Silver and other metals, diamonds and crystals, pearls from Subara (Sopra, near Bombay) were among the other items imported from India. Another item favoured by the Arabs was the horn of the rhinoceros which was used to manufacture ornaments and sold as high-priced luxury items. Diamonds from Kashmir and gold from Kamrupa were among other high-priced Arab imports from India.

The transaction between the Malabar coast of India and the Gulf coast largely centred around spices—pepper, cardamom and cinnamon. Sandalwood, aloewood and perfumes were also exported. Among fruits, mangoes, jackfruits, lemons, citrons and coconuts were exported from India to the Arabs. Elephants, peacocks, fine muslin cotton cloths, indigo and dyes were exported too. Among the items imported by India were frankincense, ivory/tusks, horses, gold, pearls, dates, and other finished goods.
According to S. Maqbul Ahmad, “On the basis of the accounts of the Arab writers of this period, it may be summarised that the total balance of trade must have been favourable to India. Firstly, gold was used by Indian merchants as means of exchange. Secondly, the volume of India’s exports seems to have far exceeded that of the Arab countries to India. Lastly, the goods exported from India were costlier than those imported by India”.

That India’s linkage with the UAE and other Arab states pre-dates the oil era is clear. The emergence of the UAE as a federation has further solidified this relationship, and both sides are striving to bolster the relationship for mutual benefit. The level of interaction between the two regions has gained strength with the rise of the UAE as important exporter of oil and gas to the Indian market. Indo-UAE trade, valued at $180 million per annum in the 1970s, was valued at $29,023.68 million for the financial year 2007–08. After Singapore and Hong Kong, UAE has emerged as the third major re-export centre in the world. The emergence of UAE as a re-export centre has helped the growth of bilateral relations between India and the UAE.

**Major Export-Import Items from India to the UAE at Present**

India’s exports to the UAE are well diversified with a larger basket. Major items exported to the UAE are RMG cotton including accessories, gems and jewellery, manmade yarn, fabrics, and metal. In return, UAE exports petroleum products, precious and semi-precious metals, and stones, sulphur and pearls—local goods that are in abundance in this region.

**India-UAE Energy Cooperation**

India has been actively purchasing energy from the major companies in the UAE such as ADNOC (Abu Dhabi National Oil Company). Major Indian companies like Punj Lloyd have established and completed major projects in the oil and gas sectors in the UAE. Both countries are interested in future sustainability of energy resources and the means to expand energy capacities. This has been demonstrated with a research agreement signed between Rajendra K. Pachauri, Director General of TERI (The Energy and Research Institute), India, and the Higher College of Technology, UAE, to examine technologies that will assist in expanding energy resources for the future. The potential for energy-partnership between the two countries lies in the fact that UAE has a high hydrocarbon reserve and India is a major consumer of
hydrocarbons. There also lies the potential for partnership in education and research in this field as India has a high level of expertise in the sector of renewable energy.

**Major Events, Conferences and Exchange Visits**

**India Trade Promotion Organisation team’s visit to the UAE**

A two-member team, comprising the Executive Director and the General Manager of ITPO, met with H.E. Mohammed Rashed Al Hameli, Director General of Abu Dhabi Chamber of Commerce and Industry (ADCCI) and engaged in discussions about trade and commerce, and bilateral ties between the two nations.

**Khalifa International Date Palm Awards:**

Atul Limited, a leading chemical company in India with a strong focus on environmental care, was awarded the prestigious award worth 2 million dirhams in recognition of its extensive work in promoting the date palm in India.

**International Defense Exhibition (IDEX 2009)**

The ninth edition of the IDEX witnessed major participation from Indian exhibitors such as the Ordinance Factory Board (Kolkata), and a demonstration of the Hydrographic Survey Vessel from the Indian Navy.

**India-UAE Trade Policy Forum**

The UAE forum, led by the Minister of Economy, discussed the need to establish more branches of Indian banks in the UAE and decrease existing bans imposed on items of import such as poultry products.

**Third India-GCC Industrial Conference**

The conference that was held in Mumbai focussed on the potential for mutual investments between India and the Gulf countries.

**Joint Commission**

A joint commission between India and the UAE was set up in 1975 that has since been organizing annual meetings and maintaining a forum to discuss issues in promoting bilateral cooperation in trade, investment, education, culture, health, science and technology, as well as controlling crime and terrorism.
Joint Business Council
A joint business council was set up in Mumbai between the Chambers of Commerce of both countries to pursue issues pertaining to areas of interest between the two countries.

Bilateral Agreements
Bilateral agreements between the two countries hold the key to forming a smoothly functioning working relationship. In the economic field these include:

- Framework Agreement for developing industrial relations (March, 2007).
- Memorandum of Understanding for technical cooperation, signed between the Bureau of Indian Standards and the Emirates Authority for Standardisation and Metrology.
- Memorandum of Understanding for technical cooperation in accreditation activities between the National Accreditation Board for Testing and Calibration Laboratories and the Emirates Authority for Standardisation and Metrology.
- Memorandum of Understanding between the Securities and Exchange Board of India and the Emirates Securities and Commodities Authority for assistance and mutual cooperation in exchange of information.

Apart from these public ventures, there are a range of private bilateral agreements that include:

- A fifty-fifty joint venture agreement between Nakheel, Dubai’s largest property developer and the DLF Group, one of the leading real estate companies in India.
- A technology solutions corporation between Dubai Islamic Bank, Dubai World and Wipro Technologies.
- The setting up of a Videocon manufacturing plant in Dubai.
• The setting up of a manufacturing unit in Dubai for Ashok Leyland, the Hinduja Group’s flagship firm. The Hinduja group also has plans to launch its first hospital in Dubai within a few years’ time.

• Nakheel and Limitless, two Dubai-based real estate groups, are making major investments in India, near New Delhi and Mumbai.

Civil Aviation Talks
Talks are in progress to enable cross-border aviation operations of all national flight leagues in the UAE and in India.

Free Trade Agreement
India and GCC have signed a Framework Agreement on Economic Cooperation (August 2004) whereby the growing importance of economic and commercial relations between India and GCC countries has been acknowledged and has facilitated the entering into a Free Trade Agreement.

NRI Remittances
The annual remittances made by the large Indian expat community in the UAE are estimated to be over $2 billion per annum.

Banking
Indian banks like the Bank of Baroda have had major operating branches in the UAE since 1974, and UAE-based banks such as the Abu Dhabi Commercial Bank and the Mashreq Bank have 3 branches among themselves in India.

Important Indian personalities who have visited the UAE
Among the important Indian figures who have visited the UAE are the Indian President, Pratibha Patil. While on her visit, she stated in an interview to the Gulf News: “Trade and investment will be the cornerstone of partnership in the evolving global scenario.... Whilst trade has been the bedrock of our economic partnership, strengthening the flow of Foreign Direct Investment between the two countries can be a pillar of our relationship.”
Shaikha Lubna Al-Qasimi, the UAE Minister of Foreign Trade, who was also present in the meetings held with Ms Patil, said that India-UAE trade exchange over the last decade has multiplied thirteen times with non-oil sectors slowly gaining a predominant share.

The Indian Minister for External Affairs, Pranab Mukherjee, visited the UAE in 2008 and met with H.H. General Sheikh Mohammed Bin Zayed Al Nahyan, Abu Dhabi Crown Prince, to review the progress of the JCM and cooperation in addressing the worldwide increase in food prices.

The Indian Minister for Commerce and Industry, Kamal Nath, visited in 2008, where he addressed the desire to promote mutual investments in both countries and called upon the two governments to work together to forge a new partnership.

**Joint Ventures in India by UAE-based companies**

Emaar, a leading Dubai-based real estate company, has invested up to $500 million in real estate projects in India. They are also setting up satellite townships in the states of Andhra Pradesh, Punjab and Delhi. Emaar had also bagged the contract to build the $170 million Commonwealth Games Village in Delhi.

Dubai Ports World is working on container transhipment terminals at major ports in India, as well as shouldering the responsibilities for operating six major ports in India.

Smart City, a project township worth $350 million with 70 percent IT and IT enabled services, has been developed in Kochi. It is the second largest foreign direct investment in Kerala.

In May 2007, ETA Star Properties signed an MoU with the Tamil Nadu state government to set up a dedicated IT hub in the township of Kancheepuram, which is estimated to be worth $923 million.

In August 2007, the Lootah Group (a Dubai-based conglomerate), opened a wholly owned subsidiary in India, entering into two MoUs with a Hyderabad-based infrastructure company, to explore infrastructure development opportunities in India.

**Joint Ventures/Contractual Participation by Indian companies in the UAE**

Dheeraj and East Coast, is a joint venture between an Indian and an UAE based business groups. They are developing projects worth $0.27 billion in the Dubai Business Bay.
L&T and its Oman-based subsidiary secured five major contracts for the construction of major water supply projects and luxury condominiums in the UAE.

The Hinduja Group has signed an MoU with the Ras Al Khaimah Investment Authority to set up a bus and vehicle assembly plant for its flagship brand Ashok Leyland.

Nakheel, UAE, joined forces with the Larsen and Toubro Group, India, to build a residential project worth Rs 2 billion in Jumeirah Island, in Dubai.

Dubai Investments Company signed an agreement with SKS Ispat and Power Ltd in India to set up steel fabrication facilities worth $25 million.

Tata Realty and Infrastructure signed a fifty-fifty joint venture with Jafza International to engage in developing a network of business and logistics parks.

Conclusion
Despite the proximity and cultural and commercial ties between India and the UAE, the full potential of the business capacity between these two nations has not yet been tapped. Both India and UAE are now making an active effort to maximize this potential through revised policy formulations and strengthening the bilateral ties between them in both the public and private sectors.

Observing the valuations of the investment projects outlined above, it is quite clear that a strong and healthy working relationship between these two nations can only prove to be favourable to both.

Endnotes
1 Abdulla Elamadani, “India’s Impact on the Gulf’s Economic and Socio-Cultural Life During the British Era,” in India Diaspora in West Asia: A Reader, ed. Prakash C. Jain, 45 (New Delhi: Manohar, 2007).
3 Ibid., 87.
4 Source: Indian Embassy in Abu Dhabi, UAE.