

ONE YEAR OF FTA

India's fuel exports to UAE grow faster than non-fuel exports

SHREYA NANDI

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A year after the free trade agreement (FTA) with the United Arab Emirates (UAE) kicked in, India's non-petroleum exports grew at a relatively slower pace than exports of refined petroleum products to the West Asian nation.

Commerce and industry ministry data showed that non-oil exports witnessed a 3 per cent jump at \$22.95 billion, while the overall shipments to the UAE grew 9.5 per cent at \$30.98 billion during May 2022-April 2023.

Export of refined petroleum products to UAE grew at 17.8 per cent to \$7.52 billion during the same period.

The rise in exports was led by demand for items such as gold jewellery, electrical machinery and equipment.

In comparison, India's global non-oil exports witnessed a 3.37 per cent contraction at \$346.26 billion during the same time period, commerce and industry ministry data showed.

Refiners may ramp up crude oil purchases from UAE soon

Higher discounts on crude oil offered by the United Arab Emirates (UAE) to wean India away from Russian crude may soon see Indian refiners ramping up purchases from the Gulf nation, officials at multiple refiners said. They also pointed to the recent agreement on trade settlement in national currencies signed between India and the UAE as a reason for this.

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This means that the outbound shipments to UAE fared well as compared to India's exports globally, amid waning external demand due to slowdown in regions such as North America and Europe.

However, there is still no clarity on the share of trade being done by both nations using the CEPA route, which will be an indication of the utilisation as well as the real gains from the trade deal.

The Comprehensive Economic Partnership Agreement (CEPA) between

India and the UAE began in May 2022.

The trade deal is expected to benefit almost 90 per cent of India's exports, in terms of value.

The UAE has overall duty elimination on over 97 per cent of its tariff lines corresponding to 99 per cent of India's exports in terms of value. The UAE is also India's second-largest export market.

Indian exporters got immediate zero duty market access in labour intensive sectors such as leather, footwear,

textile, gems and jewellery, furniture, among others. Barring gems and jewellery segments, other sectors are yet to see substantial gains.

Widening deficit

Overall imports from the UAE saw a 17.4 per cent increase to \$52 billion during the one-year period. This resulted in the widening of the trade deficit to \$21 billion a year ago.

The widening of the deficit is mainly due to India's substantial dependence on crude oil imports from the West Asian nation. A third of total imports from UAE is crude oil. Besides, last year, UAE was also India's fourth largest crude oil import partner, with a share of over 10 per cent.

Under the trade agreement, crude oil has been completely eliminated, although basic customs duty of the commodity was negligible at ₹1 per metric tonne.

