

Exports to UAE surge after FTA

Shipments to UAE rise by 13.5%

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SIX MONTHS AFTER the India-UAE free trade agreement (FTA) came into force, India's merchandise exports to the West Asian economy rose 13.5% from a year earlier, outpacing a 10.3% increase in the country's overall goods despatches.

Between May and October this fiscal, exports to the UAE hit \$15.39 billion, compared with \$13.56 billion a year before, according to the latest official data. Meanwhile, goods imports from the UAE jumped 32.6% during this period to \$27.44 billion, compared with a 34.6% jump in India's total imports.

Of course, these are early days and a comprehensive analysis of gains or losses from the FTA is possible only over the medium-to-long term. (Nevertheless), the initial signs are encouraging. We have been

HOW THEY STACK UP

(% rise, y-o-y, May-Oct)

Exports to UAE	13.5
Overall exports	10.3
Imports from UAE	32.6
Overall imports	34.6

Note: India-UAE FTA came into force on May 1



expecting a positive result," an official source said.

The outcome of the India-UAE Comprehensive Economic Partnership Agreement (CEPA), which entered into force on May 1, assumes significance, as it was the first FTA that New Delhi had signed with any economy in a decade, shedding its inhibitions about the efficacy of trade deals. According to an FE analysis earlier this year, five of India's six prominent FTAs, which

came into force between 2006 and 2011, had exacerbated New Delhi's trade balance. After the agreement with the UAE, India hammered out an interim trade deal with Australia and is now engaged in talks for FTAs with the UK, the EU, Canada, and members of the Gulf Co-operation Council.

According to the official data, petroleum products and gems and jewellery made up close to a half of India's exports to the UAE, followed by certain

capital goods and steel and iron and such products. Similarly, oil and gems and jewellery dominated India's purchases from the UAE, with an 80% share in imports.

The gems and jewellery segment has emerged as one of the biggest beneficiaries of the trade deal. Such exports to the UAE jumped 20.6% this fiscal, far exceeding just a 2.6% rise in overall despatches of these products.

According to the CEPA, the UAE will allow as many as 99% of Indian goods (in value term) at zero duty in five years from about 90% in the first year. Similarly, India will permit duty-free access to 80% of goods from the UAE now and it would go up to 90% in 10 years.

Indian labour-intensive sectors, such as gems & jewellery, textiles & garments, leather, footwear, sports goods, plastics, furniture, agricultural and wood products stand to gain from the FTA, along with other sectors like engineering products, pharmaceuticals, medical devices, and automobiles.