

Free Trade Agreement: India's exports worth \$26 billion to UAE to get 5% duty relief

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Indian goods worth as much as \$26 billion, which are currently taxed at 5% by the UAE, will be allowed at zero duty once the free trade agreement (FTA) with Abu Dhabi comes into force by May, according to a commerce ministry analysis. It will particularly help labour-intensive sectors, including textiles and garments, agriculture, leather and footwear, where domestic exporters typically operate at thin margins and compete with low-cost economies like Bangladesh and Vietnam.

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Likely benefits for India

(Over 5 years)



Textiles & garments: Extra exports of **\$2 bn**



Auto: Additional exports of **\$160 m**



Engineering goods: Exports to nearly double to **\$9.2 bn**



Pharma: Exports to rise at a CAGR of **26-28%** to hit **\$1 bn**



Agriculture: Extra exports of **\$850 m**



Leather & footwear: Additional exports of **\$130 m**



Plastics: Additional exports of **\$1.3 bn**



Gems & jewellery: Gold jewellery exports to surge to **\$10 bn** by 2023-24 (from **\$1.2 bn** in the pandemic year of 2020-21)

To start with, while Abu Dhabi has offered duty-free access to 90% of Indian exports to it, New Delhi will allow 80% of the UAE's supplies at zero tax. Both the countries are aiming to raise bilateral trade to \$100 billion in five years from about \$60 billion now.

India remained shy of an FTA for a decade due to complaints that deals struck in the UPA era had short-changed interests of domestic industry and only widened New Delhi's trade deficit with the partner nations. By signing the latest pact, the government hopes to prove sceptics wrong.

According to the ministry's analysis, the Indian textile and garment sector will see additional exports of \$2 billion to the UAE over the next 5 years due to the FTA. Of this, incremental exports in man-made fibre textiles alone will be to the tune of \$650 million.

In engineering goods, exports are projected to grow at 10% in the first two years and 15% in the next three years. Such outbound shipments will rise to \$9.2 billion by FY27 from \$5 billion estimated for this fiscal. Similarly, exports of plain gold jewellery and gold-studded jewellery to the UAE are expected to surge to \$10 billion by FY24 from just \$1.2 billion in FY21. Of course, such exports had contracted sharply in the last fiscal due to the pandemic.

In the pharmaceutical sector, exports to the UAE are projected to witness a compounded annual growth rate of about 26-28% over the next 5 years to reach \$1 billion.

The commerce ministry also expects additional plastic exports of \$1.3 billion to the UAE in five years. These stood at just \$418 million in FY21.

In agriculture, additional exports to the UAE are projected to be about \$850 million in five years, while in automobiles and leather & footwear, extra exports are estimated to be worth \$160 million and \$130 million, respectively. In services, the UAE has offered easier access in 111 sub-sectors to India, while New Delhi has offered 100.

Areas of substantial interest to India include computer related services, audio visual services, education, health, tourism, professional services (nursing, engineering, accountancy, etc) and certain other business services.