

THE INDIA - UAE COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT



OVERVIEW

India and the UAE signed a Comprehensive Economic Partnership Agreement (CEPA) on 18 February 2022 to strengthen economic ties and boost trade and investment between both countries. The agreement would come into effect from 1 May 2022 and amongst other benefits, would set to liberalise tariffs on trade between the two countries.

Through this CEPA, both the countries are projected to achieve significant economic benefits in the form of access to quality education, liberalisation of customs tariffs, ease of facilitating access to respective markets and ease of movement of skilled labor to support these economic initiatives.

The UAE proposes to double its economy in the coming decade and attract top human capital; foreign trade will be an integral pillar of this development; this is where the CEPA is expected to play an active role in achieving this objective.

The UAE is currently India's third-largest trading partner and second-largest export destination after the USA. The CEPA is expected to enhance this robust trade relationship between the two countries and boost merchandise trade to USD 100bn over the next 5 years, as against USD 29bn in 2019-20. It is also expected that the CEPA would generate 1 million jobs across multiple labour-intensive sectors such as gems and jewellery, textiles, leather, footwear, furniture, agriculture and food products, plastics, engineering goods, pharmaceuticals, medical devices, sports goods etc.

WHAT IS CEPA?

Comprehensive Economic Partnership Agreements (CEPA) are trade agreements between two countries to provide preferential trade terms, tariff concession, services and investments and other areas of economic partnership.

The CEPAs also consider negotiation on areas such as trade facilitation and customs cooperation, competition, and access to respective countries intellectual property rights.

CEPA is a type of a trade agreement involving mutually beneficial concessions. Depending on the terms and concession agreed on by the participating countries, trade agreement may be:

- ▶ Free Trade Agreement (FTA)
- ▶ Preferential Trade Agreement (PTA)
- ▶ Comprehensive Economic Partnership Agreement (CEPA)
- ▶ Comprehensive Economic Cooperation Agreement (CECA)
- ▶ Comprehensive Economic Cooperation and Partnership Agreement (CECPA)

CEPA is a more comprehensive trade agreement with other countries compared to CECA and FTA.

THE INDIA-UAE CEPA

The India-UAE CEPA was published by the Government of India on 27 March 2022 wherein the details of the agreement have been provided. In terms of the Agreement, the Tariff Commitments of India for trade in goods covers 11,908 items, whereas the Tariff Commitments of UAE for trade in goods covers 7,581 items. The goods covered various sectors such as gems and jewellery, textiles, leather, footwear, furniture, agriculture and food products, plastics, engineering goods, pharmaceuticals, medical devices, sports goods. The Agreement also specifies Rules of Origin along with Minimum Required Information in that regard and also covers product-specific rules for the import of specific products under CEPA.

BENEFITS TO BE EXPECTED FROM THE CEPA

The CEPA will promote two-way economic benefits in various sectors. Some of these economic benefits are:

- ▶ Increased investment flows, lower tariffs, and new opportunities for key sectors in both India and the UAE such as aviation, environment, hospitality, investment, financial services and digital trade and more.
- ▶ CEPA is expected to boost the national economy of the UAE by 1.7% in the next 10 years (Gulf News)
- ▶ CEPA will also make it easier for small and medium enterprises to go global by granting them access to new customers, networks, and avenues of collaboration. The private sector will benefit from this agreement as it remains at the forefront of innovation and economic growth.

IS CEPA LINKED WITH DTAA?

There is no direct link between Double Tax Avoidance Agreements (DTAA) and CEPA, though CEPA is usually supported with DTAA's.

Typically, the Ministry of Finance manages the DTAA's signed while the CEPA is managed by the Ministry of Economy/Commerce. DTAA's, once signed, will prevail over the local law to the extent they are more beneficial, whereas CEPA is a policy document like FTAs, which are governed by specific rules mutually agreed between the countries for the benefit of trade.

Both types of agreements aim to enhance the trade and investment between the countries. DTAA's focus on reducing the direct tax burden by levying taxes once and ensure that profits can be transferred in a free convertible currency with limited tax exposure. Whereas CEPA is more comprehensive and encompasses commercial aspects of international transactions related lower tariffs, sanctions and requirements for investment and business in the CEPA countries.

Currently, the UAE has around 137 DTAA's with its trade partners, whereas India has approximately 95 effective DTAA's with its trade partners.

HOW DOES THE CEPA IMPACT BUSINESS IN INDIA AND THE UAE?

India is the UAE's largest trading partner in terms of exports and the ninth largest recipient of foreign direct investment from the UAE. The CEPA will enhance this existing long-standing, and robust relationship between the UAE and India and is expected to boost the merchandise trade between the two countries to USD 100bn over the next five years.

Some of the key businesses set to benefit from the CEPA are:

- ▶ Energy
- ▶ Environment
- ▶ Digital trade
- ▶ Intellectual property rights

The CEPA also covers 11 sectors and 100 sub-service sectors to benefit from this agreement.



INDIA TRADE AGREEMENTS WITH OTHER COUNTRIES

India has been negotiating FTAs with several partners - both bilateral and regional over the years with a view to promote India's exports. A further push in this direction would help provide the institutional arrangements to, inter alia, diversify both products and destinations. India has executed the Free Trade Agreements - CEPA with Japan & Korea and CECA with Singapore, Malaysia, CECCA with Mauritius, PTAs with Chile, Bangkok and SAARC Countries like, Nepal, Bhutan, ASEAN countries as well.

Over the last few years, India has initiated its trade agreement negotiations and reviewed existing agreements with many countries.

A list of trade agreements signed by India is available on the Ministry of Commerce website [here](#).

THE UAE TRADE AGREEMENTS WITH OTHER COUNTRIES

CEPAs or trade agreements are considered to be central to the UAE's efforts to build the economy over the next 50 years and solidify its position as a global economic hub.

The UAE has signed several FTAs with countries and trade groups across the world to enhance its position as a global trade hub and major destination for investments.

A list of free trade agreements signed by the UAE is available on the Ministry of Economy website [here](#).

SERVICE OFFERINGS

To help businesses explore opportunities under the newly signed CEPA, our expert teams in India and the UAE offer a range of advisory services to help your organisation benefit:

- ▶ Overview of the CEPA and its benefits for Indian businesses dealing with the UAE and vice versa including rationalising customs duties, other taxes, trade barriers and ability to access each other markets with minimum administrative hurdles
- ▶ Review of the global supply chain to augment trade benefits between India and the UAE
- ▶ Analyse how existing trade facilitation measures compliment the vision of CEPA
- ▶ Review how businesses can best take advantage of the CEPA as part of their international operations and expansion into India or the UAE markets, keeping in sight the implementation of the Corporate Tax (CT) regime in the UAE
- ▶ Conduct Data Analytics - Research/review on the supply chain based on the HSN Codes for goods being imported/exported between India and UAE, including the custom tariffs and guides in other trade barriers like BIS/FSSAI/Drug Controller/Phytosanitary Measure or other certifications, etc. as may be as required
- ▶ Evaluate the Rules of Origin requirements, value addition, etc., and support the Certificate of Origin (COO) facilitation for shipments moving between UAE/India including compliance with Customs (Administration of Rules of Origin under Free Trade Agreements) Rules - 2020 - CAROTAR 2020.



SOURCES

Ministry of External Affairs

https://www.mea.gov.in/bilateral-documents.htm?dtl/34877/Joint_IndiaUAE_Vision_Statement_Advancing_the_IndiaUAE_Comprehensive_Strategic_Partnership_New_Frontiers_New_milestones

Emirates News Agency

<https://www.wam.ae/en/details/1395303022568>

Gulf News

<https://gulfnews.com/special-reports/what-is-india--uae-cepa-how-it-will-benefit-both-economies-1.1645252081334>

Ministry of Finance (Avoidance of Double Taxation)

<https://www.mof.gov.ae/en/StrategicPartnerships/DoubleTaxationAgreements/Pages/DoubleTaxation.aspx>

Ministry of Commerce and Industry

<https://commerce.gov.in/international-trade/trade-agreements/comprehensive-economic-partnership-agreement-between-the-government-of-the-republic-of-india-and-the-government-of-the-united-arab-emirates-uae/>

<https://commerce.gov.in/international-trade/trade-agreements/>

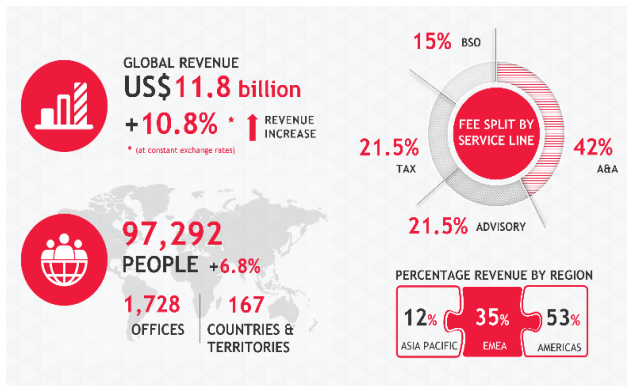
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Ministry of Economy of UAE

https://www.moec.gov.ae/en/cepa_india

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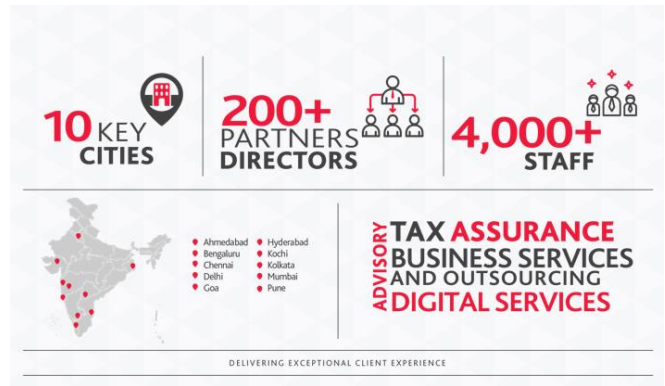
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