

Trade Potential of India UAE Comprehensive Economic Partnership Agreement (CEPA)

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ABSTRACT

The paper examines the impact of the India-UAE Comprehensive Economic Partnership Agreement (IUCEPA) on the composition and the extent of bilateral trade between India and UAE. To understand the complementarity of trade structure and potential for trade cooperation, the paper employed indicators such as Revealed Comparative Advantage (RCA), Revealed Trade Advantage (RTA) and Revealed Competitiveness (RC), along with trade specialisation analysis. To understand the trade impact of the IUCEPA agreement on both nations, an augmented gravity model with the Fixed Effect Vector Decomposition (FEVD) and Poisson Pseudo-Maximum Likelihood (PPML) estimation techniques were used. The findings revealed that India has had a more stable comparative advantage compared to the UAE over the years. There exists complementary trade between the two countries. The overall impact of the CEPA is positive, with the trade projected to increase to US\$113 billion within five years of signing the agreement. The study concludes that the India-UAE CEPA is a promising FTA for India and provides important lessons for future trade agreements to maximise the trade potential existing with other major trade partners.

Keywords: India-UAE CEPA, India-UAE Trade, Gravity Model, Poisson Pseudo-Maximum Likelihood (PPML) Estimation

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