



India and the World

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A deepening West Asia connect: India and the UAE

One of the first countries to issue a condemnation of the terrorist attack on Indian tourists in the Kashmiri resort town of Pahalgam on April 22 was the United Arab Emirates (UAE). Then, as the conflict escalated between India and Pakistan, the UAE — along with its neighbors Saudi Arabia and Qatar — played critical roles in keeping channels of communication around and in enabling a ceasefire after four days of fighting. Although India will not publicly acknowledge any external involvement in brokering the ceasefire, the acceptance of behind-the-scenes activity by the GCC countries indicates the level of trust that now infuses the partnership.

Turning around India's relations with the GCC countries and the UAE in particular is one of the major achievements of the country's diplomacy under Prime Minister Narendra Modi. Cooperation with the UAE through bilateral and minilateral formats is emerging as a key pillar in India's outreach to West Asia and towards the European Mediterranean.

Ties between India and the UAE have not always been this warm. The large Indian diaspora in the Emirates occasionally sparked domestic debates, given the demographic concerns of the UAE. The Emirati leadership — in keeping with Saudi Arabian policy at the time as well — felt more connected and favourably disposed towards Pakistan, which was said to keep the country under its nuclear umbrella.

Much has changed, not least the UAE's own internal orientation. A desire to control political Islamism has become a major pillar of its policy making since the Arab Spring, and it has consciously sought to build a national identity distinct from Islam. Pakistan's role as a haven for Islamist ideology, as well as the possible political leanings of its diaspora, caused the UAE to sour on Islamabad as a partner. Specific security policy decisions taken by Islamabad regarding possible military support to Emirati and Saudi efforts in the campaign against the Houthis also jeopardised its position in Abu Dhabi.

Meanwhile, careful personal diplomacy by PM Modi, as well as steady contributions to the Emirati service economy and forward-leaning tech sector, combined with India's prospects as an investment destination helped to raise its standing. Personal bonds built over time between leaders can be particularly useful in the Emirates' political culture. Modi's curated image as a force for stability in Indian politics as well as his deep personal engagement in the relationship has contributed to this diplomatic turnaround.

There is also a connection between the two on a multi-vectoral approach to foreign policy, and views on the current challenges facing emerging economies in the current world order. India, for example, worked for the UAE to be included in an expanded BRICS. From India's perspective, it is an advantage that the UAE enjoys a relatively large degree of strategic autonomy, and although China is an important partner for countries in the region, this does not risk limiting their room for manoeuvre vis-à-vis India. In New Delhi, there is awareness of the UAE's stance that there is no contradiction between cooperation with India and China. If back-channel diplomacy with Beijing is ever required, then the UAE would provide useful and trusted support.

In addition, both India and the UAE are for different reasons disadvantaged by increased global political polarisation and a fragmented trading system. Given this, neither actor intends to act in an anti-Western direction or act revisionist in the rule-based order. However, both describe themselves as non-Western and have objections to some of the value foundations in a liberal international order (LIO) and the Western dominance in today's institutional architecture for global governance.

In practical terms, the UAE and India have both long objected to the use of financial and other sanctions and restrictions on payment systems. These objections were formed at the time the US began to enforce sanctions against Iran, which was a major trading partner for India as well as for the emirate of Dubai in particular. The UAE believes that constrictions on trade and finance driven by Washington and Brussels will unfairly constrain the growth of Dubai and Abu Dhabi as financial and investment hubs. India has made it clear it does not participate in a "de-dollarisation" agenda, but it is happy to work with the UAE, including in the expanded BRICS, to find payment mechanisms that reduce the dollar's salience in trade between trusted partners.

In both India and the UAE, there is also a growing realization that the US can no longer be taken for granted as a security guarantor when crises arise in the Indian Ocean, even though the security cooperation between the countries continues to be of central importance. As connectivity cooperation increases, security cooperation between actors in the region will also need to increase. The Indian Navy's efforts in the Indian Ocean have been positively received in the UAE.

In addition to convergence in foreign and security policy and increased trust, the economic partnership is steadily growing stronger. The UAE is a top five trading partner for India and the 2022 CEPA agreement, although narrow in scope, is accelerating bilateral trade. For the UAE, India is a central player in the transition from an oil economy to a connectivity, logistics, and financial hub. Conversely, the UAE is of great importance to India as a partner in the country's industrial development, green transition, and increased integration into world trade and value chains. Abu Dhabi's sovereign wealth fund has had great influence in shaping tax policy in New Delhi and helped build a new infrastructure-focused investment architecture.

UAE is currently the fourth largest investor in India with a focus on services, sea transport, power and construction. There are discussions underway of using the UAE's green fund Altéra for sizable investment into the Indian renewable energy sector in particular. The focus of what could be up to \$30 billion USD worth of investments seems to be energy transition, industrial decarbonisation, and climate technologies. This aligns with the UAE's longer-term strategy of adapting its economy to a reality with a significantly reduced need for oil, as countries move into Net Zero.

Another niche of mutual interest for India and the UAE is connectivity. Being a trade hub through which flows of goods, data, financial means, and people pass is a vision that has connections to the GCC region's historical role. The Gulf nations view themselves as traders and sailors first, and the "dhow" ship that plied the Arabian Sea is very much their national symbol. Connectivity and network thinking – or ideas about "corridors" – now have a significant impact on the UAE's geopolitical and geo-economic priorities. The UAE has high ambitions for its investments in ports and other transport and logistics infrastructure and uses its sovereign wealth funds and companies like DP World to underpin its connectivity agenda, especially in India and in East African countries where India has a sizable presence.

This is where the India-Middle East-Europe Economic Corridor (IMEC) stands out as an ambitious area of cooperation. The starting point is that future production networks in India and other parts of Asia are

linked to consumers in Europe and North America via corridors where the UAE is a central player. The EU's Global Gateway initiative is integrated in IMEC, and the I2U2 that incorporates Israel and the US alongside India and the UAE provides associated political backing. The Iraq-Turkey initiative Development Road, and China's BRI are also important pieces of the puzzle. In the long run, further connections from the Gulf and Mediterranean region can be made via the Three Seas Initiative in Central Europe. Further north the trans-Arctic connection between the USA and Russia, as well as other Russian-initiated "corridors," may come into play for the Indian-Emirati partnership in a distant future.

Additionally, around 4 million Indians reside in the UAE today, making up about 38% of the country's total population. Indians contribute to both low- and high-skilled jobs. Remittances from the UAE to India amount to approximately \$21 billion in (2023) and constitute a significant component of several Indian regional state economies. The fact that the UAE has adopted India's UPI system facilitates transactions. The Indian government accepts the notion that many Indian entrepreneurs and India-focused funds will base themselves out of Dubai or Abu Dhabi, although they would prefer that these be onshore. However, the UAE is preferable as an offshore hub for Indian companies and investors than the former favourite of Singapore, which many in New Delhi believe will be pulled inexorably into Beijing's orbit. The importance of the UAE to India's development is reflected in the notion, common in New Delhi, that Dubai will serve in the coming decades as "India's Hong Kong".



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