Beyond the Tariff Line: The India–UAE CEPA and Market Entry by Small and Medium Enterprises

A practitioner analysis of public data, 2022–2026

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Abstract

The India–United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) entered into force on 1 May 2022. It was India's first comprehensive agreement with a partner in the Middle East and North Africa and the UAE's first under its global economic agreements programme. This paper assesses, from a practitioner's perspective, what the agreement has meant for market entry by small and medium enterprises (SMEs), using only publicly available official data and primary documents published between 2022 and 2026.

Three findings emerge.

- **Trade grew quickly.** Headline merchandise trade rose from US$72.9 billion in FY2021–22 to US$100.06 billion in FY2024–25. Non-oil trade, the agreement's stated priority, became the majority of bilateral trade.
- **Use of the tariff preferences grew too, but they cover only part of the corridor.** Use is measured here by preferential certificates of origin issued in India. These rose from 98,104 in FY2023–24 to 122,036 in FY2024–25. The roughly 240,000 certificates issued up to February 2025 covered US$19.87 billion of exports.
- **The CEPA is one layer of a stack.** It sits alongside a bilateral investment treaty, a central-bank framework for rupee–dirham settlement, linked national payment systems, and a large and growing population of Indian-owned businesses licensed in the UAE. For SMEs, these non-tariff layers, together with rules-of-origin compliance, distribution, pricing and payments, are likely to matter more than the tariff cut itself.

The paper proposes a simple "entry stack" framework for SME decision-makers. It closes with implications for firms, intermediaries and policymakers. It also sets out the limits of an analysis built on aggregate public statistics.

Keywords: India–UAE CEPA; preferential trade agreements; SMEs; MSMEs; market entry; rules of origin; certificates of origin; local currency settlement; UPI; Gulf Cooperation Council

JEL classification: F13, F15, L26

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1. Introduction

Trade agreements are usually judged by headline trade figures. For governments, a rising bilateral total is a reasonable first test. For the owner of a small manufacturing firm in Coimbatore, or a consumer brand in Hyderabad deciding whether to sell in Dubai, the question is different. It is not "did trade grow?" but "does this agreement change whether, and how, I should enter this market?"

The India–UAE CEPA is a useful case for exploring that question for three reasons:

- **It is recent and well documented.** It was signed on 18 February 2022 and entered into force on 1 May 2022, and both governments publish regular progress statements (PIB, 2022; PIB, 2025a).
- **It is broad.** India's government described it as covering preferential access on over 97% of UAE tariff lines, accounting for 99% of Indian exports to the UAE by value, plus enhanced access to around 111 services sub-sectors (PIB, 2022).
- **It sits inside a dense corridor.** Other agreements and infrastructure followed: a bilateral investment treaty, a local-currency settlement framework, payment-system links and a planned India-focused trading hub in Dubai. These are of direct relevance to small firms.

Small firms matter to both economies.

- **India:** the share of "MSME specified products" in total merchandise exports was reported at 43.59% in 2022–23, 45.74% in 2023–24 and 48.55% in 2024–25 (PIB, 2026).
- **UAE:** the Ministry of Economy reported 557,000 SMEs operating at the end of 2022, contributing 63.5% of non-oil GDP (WAM, 2023).

Whether the CEPA works for small firms is therefore central to whether it works at all.

This paper does not attempt an econometric estimate of the agreement's causal effect. Others are better placed to do that with firm-level customs data. It instead offers a structured practitioner reading of the public record. The aim is to identify the main signals, the gaps between headline growth and SME experience, and the practical decisions small firms face. The author works on cross-border market entry between India, the UAE and the wider region. The paper deliberately draws only on public sources and contains no client-specific information.

The paper proceeds as follows:

- Section 2 summarises the agreement and the wider corridor.
- Section 3 describes the method and data.
- Section 4 presents the findings.
- Section 5 introduces an "entry stack" framework for SMEs.
- Section 6 discusses implications.
- Section 7 sets out limitations.
- Section 8 concludes.

2. Background: the agreement and the corridor

2.1 The CEPA in brief

The CEPA was signed during a virtual summit on 18 February 2022 and entered into force on 1 May 2022 (PIB, 2022; PIB, 2025a). On the day it took effect, India's Commerce Secretary flagged off the first consignment of jewellery to Dubai under the agreement's zero-duty terms (PIB, 2022).

Official summaries of the market-access package stress its breadth:

- The UAE offered elimination of duties on 97% of its tariff lines, corresponding to 99% of imports from India by value.
- About 90% of India's exports to the UAE by value would become duty-free on entry into force.
- The products expected to benefit included roughly US$26 billion of Indian goods that had faced a 5% UAE import duty.
- Labour-intensive sectors were highlighted: gems and jewellery, textiles, leather, footwear, sports goods, plastics, furniture, agricultural and wood products, engineering goods, pharmaceuticals, medical devices and automobiles (PIB, 2022; NSEZ, n.d.).

Two features of the agreement text matter especially for SMEs:

- **Rules of origin.** To claim preferential treatment, a product must be wholly obtained or meet a product-specific rule set out in Annex 3B. Many lines combine a change in tariff classification (at heading or subheading level) with a minimum value addition. The text explains that value-addition percentages are stated on an FOB basis and are five percentage points lower if calculated on an ex-works basis. It gives the example of 40% on FOB versus 35% on ex-works (CEPA, 2022, Article 3.2 and Annex 3B).
- **Certification.** A certificate of origin is valid for twelve months from issue. The text provides for electronic certificates and for origin declarations by approved exporters. It also tasks a Subcommittee on Rules of Origin with deciding whether to move to self-certification (CEPA, 2022, Chapter 3).

For a small exporter, the practical meaning is simple. The preference has to be earned shipment by shipment, through documentation, and the paperwork is part of the cost of entry.

2.2 The rest of the corridor

The CEPA did not arrive alone. From the perspective of a firm deciding how to enter the UAE, several other instruments are at least as relevant.

Investment protection. A new India–UAE Bilateral Investment Treaty was signed on 13 February 2024 and entered into force on 31 August 2024. It replaced a 2013 agreement that expired on 12 September 2024 (PIB, 2024a).

Local-currency settlement. On 15 July 2023, the Reserve Bank of India and the Central Bank of the UAE signed a Memorandum of Understanding to establish a Local Currency Settlement System for the rupee and the dirham. It covers all current-account and permitted capital-account transactions. The RBI stated that it would enable exporters and importers to invoice and pay in their domestic currencies and support an INR–AED foreign-exchange market (RBI, 2023).

Payment-system links. Under a second MoU signed the same day, the central banks agreed to cooperate on:

- linking India's Unified Payments Interface (UPI) with the UAE's Instant Payment Platform;
- linking their card switches;
- exploring links between financial messaging systems (RBI, 2023).

In February 2024, the leaders welcomed the launch of the UAE's domestic card scheme, JAYWAN, built on the RuPay stack shared by India's National Payments Corporation. They also welcomed an agreement to interlink UPI with the UAE's AANI platform (PMO India, 2024). In July 2024, the acquirer Network International announced that it had enabled UPI QR acceptance on its point-of-sale terminals in the UAE, to be rolled out progressively across a network of more than 200,000 terminals at over 60,000 merchants (Network International, 2024).

Physical market infrastructure. On 14 February 2024, the leaders laid the foundation stone for "Bharat Mart", a DP World facility in the Jebel Ali Free Zone. It is intended to help Indian MSMEs showcase and warehouse products for the UAE and onward markets. DP World describes plans for about 1,500 showrooms and over 700,000 square feet of warehousing and light-industrial space (DP World, 2025). DP World's own project page now says the project is expected to become operational in phases from the second half of 2028 (DP World, n.d.). Earlier statements had set out a 2026 opening, so timelines should be treated with care.

Institutional review. The CEPA's Joint Committee met for the third time in November 2025. Its agenda included market-access issues, data sharing, allocation of the gold tariff-rate quota, anti-dumping matters, services, rules of origin, issues with certificates of origin, and BIS licensing (PIB, 2025b). Both governments have repeatedly stated a target of US$100 billion in non-oil, non-precious-metal trade by 2030 (PIB, 2025b; PIB, 2025c).

People and firms. The Embassy of India in Abu Dhabi estimates the number of resident Indian nationals in the UAE at 4.3 million (2024 data), roughly 35% of the country's population (Embassy of India, n.d.). The UAE's official news agency reported that over 41,600 new economic licences were issued to Indians in the UAE in 2024. This brought the total of active Indian business licences to more than 247,000 by the end of that year (WAM, 2025).

Taken together, these instruments mean the "India–UAE market entry decision" now involves trade preferences, investment protection, currency and payments choices, physical infrastructure and a very large community of Indian-owned businesses already in the market.

3. Method and data

This is a practitioner analysis of public data. It uses no proprietary datasets and no confidential information. The approach has three steps.

1. **Assemble the official record.** Statistics and statements were collected from primary sources published between 2022 and October 2026:
    - India's Press Information Bureau (PIB), the Ministry of Commerce and Industry and the Ministry of MSME (parliamentary replies);

- the Reserve Bank of India and the Central Bank of the UAE;
- the Prime Minister's Office of India;
- the Emirates News Agency (WAM), the UAE's official news agency;
- the Embassy of India in Abu Dhabi;
- the text of the CEPA itself, as published by the UAE Ministry of Economy and Tourism;
- corporate releases from Network International and DP World.

One secondary source, a June 2025 report in *The Hindu BusinessLine*, is used because it reports Department of Commerce data on certificate-of-origin issuance that was not found in a primary release. 2. **Organise the evidence by the decisions an SME faces.** These are whether to enter, how to qualify for preferences, how to set up, how to get paid, and how to reach customers. 3. **Interpret cautiously.** Simple derived figures (growth rates and averages) are shown only where both inputs come from the same source and period. They are labelled as derived. No causal claims are made about the agreement's effect.

Several limitations follow from this design and are discussed in Section 7. The most important are these:

- Official statistics mix fiscal years (India, April–March) and calendar years (UAE).
- Different releases cover different trade definitions (total, non-oil, non-oil non-precious-metal).
- There is no public firm-level breakdown of who uses the preferences.

4. Findings

4.1 Headline trade grew quickly, and non-oil trade became the majority

Table 1 sets out India's official figures for total bilateral merchandise trade.

Table 1. India–UAE bilateral merchandise trade (India's fiscal years, US$ billion)

Fiscal year	Total trade	Source
2020–21	43.3	PIB (2025a)
2021–22	72.9	PIB (2023)
2022–23	84.5	PIB (2023)
2023–24	83.7	PIB (2025a)
2024–25	100.06	PIB (2025b)

The PIB described FY2022–23 trade as a 16% year-on-year increase. Over May 2022 to March 2023, the first eleven months of the agreement, trade rose to US$76.9 billion from US$67.5 billion in the comparable prior period, an increase of 14% (PIB, 2023). FY2024–25 trade of US$100.06 billion was described as an increase of 19.6% (PIB, 2025b).

The composition matters as much as the total. India's government reported that non-oil trade reached US$57.8 billion in FY2023–24, "accounting for more than half of the total trade" (PIB, 2025a). India's non-oil exports to the UAE reached US$27.4 billion in FY2023–24. Average growth since entry into force

was put at 25.6%. Smartphones emerged as a significant export item, at US$2.57 billion in FY2023–24 (PIB, 2025a).

The UAE side reports a consistent picture in calendar-year terms:

- UAE non-oil trade with India grew 20.5% to over AED 240 billion in 2024, from AED 199.3 billion in 2023.
- India was the UAE's top non-oil export destination in 2024, accounting for 13.5% of the total, with year-on-year growth of 75.2% (WAM, 2025).

Interpretation. These figures show a corridor growing quickly and diversifying beyond oil. They do not, on their own, show how much of the growth reflects the agreement rather than other factors, or how much reached smaller firms. Several other things moved over the same period:

- energy prices;
- global supply-chain shifts, including the rise of India as a smartphone-assembly base;
- broader macroeconomic conditions.

These will have shaped the totals independently of the CEPA.

4.2 Preference use is rising, but it is a fraction of the corridor

A more direct signal of whether firms are using the agreement is the issue of preferential certificates of origin. Exporters need these to claim CEPA tariff rates.

- India's government reported that nearly 240,000 certificates had been issued from entry into force up to February 2025. Exports worth US$19.87 billion had been made against them (PIB, 2025a).
- Department of Commerce data reported by *The Hindu BusinessLine* shows 98,104 certificates in FY2023–24 and 122,036 in FY2024–25, an increase of 24.66% (BusinessLine, 2025).
- The same report gives year-on-year increases of 35.4% for April 2025 (11,825 certificates) and 28.3% for May 2025 (11,507) (BusinessLine, 2025).

Two simple derived observations are possible.

First, the volume of preferential trade is meaningful but partial. Exports covered by certificates were roughly US$19.87 billion over about 33 months, against bilateral trade that reached US$84.5 billion in a single fiscal year (FY2022–23). This is not a utilisation rate in the technical sense. Total trade includes imports, oil and goods that were already duty-free or excluded. But it is a reminder that the tariff preference touches only part of the corridor.

Second, the average value per certificate is modest. Dividing US$19.87 billion by approximately 240,000 certificates gives an average of roughly US$83,000 per certificate (derived; both figures from PIB, 2025a). Averages hide wide variation, and one shipment may involve more than one document. Even so, the figure is consistent with a large number of small and mid-sized consignments. It suggests that the preference is being used well beyond a handful of very large exporters.

Official commentary points the same way. A Commerce Department official quoted in the same report said the rising issuance was "likely driven by increased outreach, greater clarity on procedural requirements,

and expanding trade relations" (BusinessLine, 2025). The November 2025 Joint Committee, meanwhile, listed certificate-of-origin issues and rules of origin among the matters still under discussion in the Joint Committee (PIB, 2025b). In other words, compliance is improving, but it remains a live friction.

4.3 For many SMEs, "entry" now means local presence, not just exports

The CEPA is a goods-and-services trade agreement. But the WAM figures on business licences point to a different, parallel route into the UAE market. More than 41,600 new licences were issued to Indians in 2024, and more than 247,000 Indian business licences were active at the end of that year (WAM, 2025).

These licence counts do not distinguish by firm size. They include sole proprietors, trading companies and branches of larger firms. But they suggest that for many Indian entrepreneurs, entering the UAE means establishing a local entity, and not only exporting across a border. This matters for interpreting the agreement:

- A firm that sets up in the UAE and sells locally may never appear in certificate-of-origin data, even though its decision may have been influenced by the wider corridor.
- The bilateral investment treaty (PIB, 2024a), the Indian community of around 4.3 million people (Embassy of India, n.d.) and the UAE's large SME base (WAM, 2023) are arguably as important to that decision as tariffs.

For practitioners, this suggests that "should we use the CEPA?" is often the wrong first question. The better question is "what is our entry mode?" There are three typical modes, each engaging a different part of the corridor:

- direct export from India;
- export through a UAE distributor;
- a UAE-licensed entity that imports, assembles, or provides services.

4.4 Payments and currency infrastructure is moving into place, unevenly

Payments are an under-discussed barrier for small cross-border sellers. The corridor has seen several concrete steps:

- **July 2023:** the central-bank framework for INR–AED settlement, with an explicit aim of letting exporters and importers invoice and pay in their own currencies and of lowering transaction costs and settlement times (RBI, 2023).
- **February 2024:** the agreement to link UPI with the UAE's AANI platform, and the launch of JAYWAN on the RuPay stack (PMO India, 2024).
- **July 2024:** a major acquirer began progressively enabling UPI QR acceptance across its UAE merchant network. It cited projections of 5.29 million arrivals from India to the UAE in 2024 (Network International, 2024).

For a consumer-facing SME, especially one selling to Indian tourists or residents, these developments lower friction at the point of sale. For a B2B exporter, the INR–AED framework creates an option, not an obligation. A firm still has to weigh it against dollar invoicing, the availability of hedging, and its banks' readiness to support local-currency trade.

Both governments continue to describe these systems as work in progress. Ministers in September 2025 cited the Local Currency Settlement System and Bharat Mart as "enablers of trade facilitation" (PIB, 2025c). The public record reviewed for this paper does not include data on how much bilateral trade is settled in local currencies. That is an evidence gap.

4.5 Market infrastructure for small exporters is promising but slow

Bharat Mart is the clearest example of infrastructure explicitly designed for Indian MSMEs entering the UAE and onward markets. It combines showrooms, warehousing, logistics and business-support services in a single free-zone facility (DP World, n.d.). If delivered as planned, it could reduce the fixed cost of a physical presence for small firms that cannot justify their own warehouse and showroom.

The timeline, however, has moved:

- **14 February 2024:** foundation stone laid.
- **2025:** DP World communications spoke of opening by the end of 2026 (DP World, 2025).
- **Now:** DP World's project page says operation in phases from the second half of 2028 (DP World, n.d.).

For SMEs planning entry in 2026–27, Bharat Mart is therefore a future option rather than a present route.

4.6 Policy attention is shifting from tariffs to implementation

The agenda of the November 2025 Joint Committee is a useful indicator of where the remaining frictions lie: market access issues, data sharing, gold TRQ allocation, anti-dumping, services, rules of origin, certificates of origin and BIS licensing (PIB, 2025b). The September 2025 ministerial meeting stressed "timely trade data sharing for better monitoring under CEPA". It also committed to convening the services sub-committee (PIB, 2025c).

Several of these issues bear directly on small firms:

- Origin compliance and product-standard licensing fall more heavily on firms without dedicated compliance staff.
- Services access matters for the many Indian SMEs that sell services, not goods.
- Data sharing determines whether anyone, governments included, can measure whether small firms are benefiting.

On the Indian side, the MSME ministry has described a new Export Promotion Mission with an outlay of Rs 25,060 crore for FY2025–26 to FY2030–31. It has two sub-schemes:

- NIRYAT PROTSAHAN, on trade finance, including credit cards for e-commerce exporters;
- NIRYAT DISHA, on non-financial enablers, including support for international branding, packaging, trade fairs and export warehousing (PIB, 2026).

These are general instruments, not CEPA-specific ones. But they target exactly the capabilities that determine whether a small firm can turn tariff access into sales.

5. An "entry stack" for SMEs

The findings suggest that SMEs should think of the India–UAE corridor as a stack of layers, not a single agreement. Each layer answers a distinct decision. A firm's advantage comes from aligning them, not from any one of them in isolation.

Table 2. The India–UAE market-entry stack for SMEs

Layer	Decision for the firm	Relevant public instrument or fact
1. Market access	Is my product covered, and on what terms?	CEPA tariff schedules; preferential access on over 97% of UAE tariff lines (PIB, 2022)
2. Origin compliance	Can I prove origin consistently and cheaply?	Product-specific rules in Annex 3B; certificate validity of 12 months; approved-exporter provisions (CEPA, 2022)
3. Entry mode	Export directly, appoint a distributor, or set up locally?	247,000+ active Indian business licences in the UAE (WAM, 2025); BIT in force since August 2024 (PIB, 2024a)
4. Payments and currency	How will I invoice and get paid, and in which currency?	INR–AED settlement framework (RBI, 2023); UPI–AANI link and UPI QR acceptance roll-out (PMO India, 2024; Network International, 2024)
5. Customer reach	Who am I really selling to: the diaspora, the wider UAE market, or onward markets?	About 4.3 million resident Indian nationals (Embassy of India, n.d.); India as the UAE's top non-oil export destination (WAM, 2025)
6. Infrastructure and support	What shared facilities and schemes can lower my fixed costs?	Bharat Mart, phased from H2 2028 (DP World, n.d.); Export Promotion Mission (PIB, 2026)

Three practical rules follow from the stack.

Decide the entry mode before optimising the tariff. A firm that will ultimately need a local entity should structure its first shipments with that in mind. Who is the importer of record? Where are prices set? Which entity holds customer relationships? A firm that will rely on distributors needs the distributor's commitment more than a marginal tariff saving.

Treat origin compliance as a recurring operating process, not a one-off. The rules require shipment-level documentation, and certificates have a 12-month validity (CEPA, 2022). For a small firm, the realistic cost of using the preference includes staff time and supplier documentation. Where value addition is close to the threshold, it also includes the risk of disputes. The rising certificate numbers suggest firms are learning this. The Joint Committee agenda suggests the process is not yet frictionless.

Do not confuse the diaspora with the market. The size of the Indian community in the UAE makes it an obvious first customer base. But the UAE's official statements describe growth across a wide range of commercial and economic activities (WAM, 2025). Firms that use the diaspora as a launch audience, and then deliberately build distribution, partnerships and pricing for the wider market, are likely to capture more of the corridor's growth than firms that stop at the diaspora. This is a practitioner judgement rather than a measured result, and it is a hypothesis worth testing with firm-level data.

6. Implications

6.1 For SMEs and founders

- **Start with entry mode.** Use the stack in Table 2 to decide between direct export, distributor-led entry and local presence before optimising tariffs.
- **Budget for compliance.** Include origin documentation in landed-cost calculations, and check the product-specific rule for each HS line, not the headline tariff.
- **Make an active currency choice.** Ask your bank whether INR–AED invoicing is available and economic for your trade. Do not assume either way.
- **Plan beyond the diaspora.** Treat the Indian community as a launch audience and set explicit milestones for reaching non-diaspora customers and channels.
- **Use public support.** Check eligibility for export-promotion schemes, including those covering branding, trade fairs and warehousing (PIB, 2026).

6.2 For intermediaries (banks, logistics firms, advisers, industry bodies)

- Package origin compliance for first-time exporters. The rise in certificate numbers suggests that outreach works (BusinessLine, 2025).
- Offer local-currency invoicing and settlement as a standard product for SME corridor trade, with clear pricing.
- Publish anonymised, aggregate evidence on SME use of the corridor. This would help close the measurement gap described in Section 7.

6.3 For policymakers

- **Measure what matters for small firms.** The public record lacks a breakdown of preference use by firm size. Both governments have prioritised data sharing (PIB, 2025b; PIB, 2025c). Publishing size-disaggregated utilisation data would let the CEPA's SME impact be assessed directly.
- **Simplify origin procedures where possible.** The agreement already provides for electronic certificates, approved exporters and a review of self-certification (CEPA, 2022). Progress on these would reduce fixed costs that weigh most on small exporters.
- **Prioritise services and standards.** Services access and regulatory cooperation in areas such as pharmaceuticals and food standards remain on the agenda (PIB, 2025b; PIB, 2025c). These non-tariff areas are where many SMEs face their hardest barriers.
- **Report on payments use.** Publishing data on the share of bilateral trade settled in local currencies, and on cross-border UPI–AANI usage, would show whether these instruments are reaching trade rather than only remittances and tourism.

7. Limitations

This paper has clear limitations, which readers should weigh when using its conclusions.

1. **No causal identification.** The paper describes trends in official data. It does not estimate the effect of the CEPA relative to a counterfactual. Commodity prices, supply-chain shifts and macroeconomic conditions all affected trade over the period.

2. **Mixed definitions and periods.** Indian sources use fiscal years (April–March) and the UAE uses calendar years. Some releases refer to total trade, others to non-oil or non-oil non-precious-metal trade. Figures from different sources should not be compared directly.
3. **No firm-size data.** None of the public sources reviewed reports preference use, licences or trade by firm size. Statements about SMEs are therefore inferences from aggregate data, the MSME export share and the structure of the agreement. They are not measurements.
4. **Partial preference data.** Certificate counts and values are reported irregularly, partly through a secondary news source. The derived average value per certificate is a rough indicator only.
5. **Practitioner perspective.** The framework in Section 5 reflects the author's professional judgement. It has not been tested empirically. The author has a professional interest in cross-border market entry (see Declarations). No client information is used.
6. **Moving timelines.** Some infrastructure, notably Bharat Mart, has changed timelines. Statements here reflect sources available in October 2026.

Future research could use firm-level customs and certificate-of-origin data to estimate preference utilisation by firm size and sector. It could survey SMEs on the relative importance of tariff, compliance, distribution and payment barriers, and track the uptake of local-currency settlement in bilateral trade.

8. Conclusion

The India–UAE CEPA has coincided with rapid growth and diversification in bilateral trade, and with steadily rising use of its tariff preferences. For small and medium enterprises, however, the agreement is best understood as one layer in a broader corridor stack. That stack includes investment protection, currency and payments infrastructure, a large base of Indian-owned businesses already licensed in the UAE, and planned shared infrastructure for MSMEs. The tariff line is necessary but rarely sufficient.

SMEs that decide their entry mode first, treat origin compliance as a routine process, make an active currency choice and plan beyond the diaspora are better placed to turn access into sales. Policymakers can help most by measuring SME use directly, simplifying origin procedures and moving services and standards up the agenda.

Declarations

Conflict of interest. The author is co-founder of Etorno Global, a Dubai-based advisory firm working on market entry between India, the UAE and the MENA region. The paper uses only public sources. It contains no client data and does not recommend any firm's services.

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