

# India-MENAT Corridor Outlook

Harnessing natural synergies



**HSBC**

Opening up a world of opportunity



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# FOREWORD

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This report forms part of our Middle East, North Africa, and Türkiye (MENAT)-focused series of publications. In this report, we consider the current state of trade and investment and the key growth opportunities between India and the countries of MENAT. The other published reports cover the trade and economic corridors of [ASEAN-MENAT](#) and [China-MENAT](#).

The MENAT region is crucial to the global economy historically for its contribution to oil exports: five of the world's leading oil producers are MENAT countries. These countries—Egypt, Qatar, Saudi Arabia, Türkiye, and the UAE— are the key MENAT markets this series of reports will focus on.

The MENAT markets have, in the last decade, embarked on ambitious economic transformation plans to diversify their economies in areas such as financial services, financial technology, food security, green energy, tourism, and entertainment. This diversification, along with the region's youthful demographics - more than half of the MENAT population is under 30 years of age - makes the MENAT countries an attractive destination for investors.

With India, the MENAT countries have nurtured trading, investment, and economic relationships for centuries. Today, while India is still a close trading partner for the MENAT region in goods such as spices, gold, and textiles, the South Asian country is also rising in global prominence in manufacturing, technology, and science.

Driven by an increasingly diversified economy including services, agriculture, automobile manufacturing, electronics, pharmaceuticals, and green technology, India's economy is on a positive growth trajectory through 2028.

As India's economy expands, so do opportunities across its vast landscape and population of over 1.4 billion people. India's services sector, which contributes just over 50% of the country's GDP, presents opportunities for investors including in retail, tourism, hotels, and communication. Significantly, in a country with a substantially youthful population—around 66% is below the age of 35—the digital economy is booming.

Put all these fundamentals of India and the MENAT region together, and corporates and investors are looking at an extensive set of opportunities.

We hope this publication will be a useful guide for corporates and investors of the key trade and investment opportunities in India and the Middle East, North Africa, and Türkiye.



**Ajay Sharma,**  
Country Head of  
Commercial Banking,  
HSBC India



**Patricia Gomes,**  
Regional Head of  
Commercial Banking,  
HSBC Middle East



# EXECUTIVE SUMMARY

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Trade and investments between India and the Middle East, North Africa, and Türkiye (MENAT) region are rising, buoyed by strong mutual interests.

While India has historically benefitted from the Gulf's oil exports, MENAT's economic diversification combined with the South Asian country's increasing strengths as a food and agricultural producer and exporter is re-positioning the India-GCC trade and investments relationship, given the Arab countries' need for food security. Technology developments are transforming the GCC's food and agriculture industry, and considerable sums are being invested to promote food security, e.g. \$7 billion in the India-UAE Food Corridor in 2019.

Outside of the GCC, India continues to do lucrative business with the other countries of the MENAT. In Egypt, Indian companies invest in green hydrogen and electric vehicles, as well as in more traditional sectors such as food industries, chemicals, and tourism. India's automobile companies are also present in Türkiye, where Indian manufacturers have also poured investments into the packaging materials industry.

As India accelerates its scientific, technological, and industrial prowess (as symbolised by the significant achievement of the August 2023 moon landing), its investment opportunities with the MENAT countries are expected to further expand in sectors including green hydrogen and electric vehicles, education, semiconductors, and pharmaceuticals.

Data from the International Trade Centre (ITC) and HSBC analysis show an estimated \$61 billion export opportunity for India to five key MENAT markets, with top destinations including the UAE, Saudi Arabia and Türkiye.<sup>1</sup>

MENAT's interests in India go beyond the food and agriculture industries. The GCC economies have been putting their excess liquidity to productive use in India's retail sectors, and more recently in the country's digital economy. There is a long runway of investment opportunities for MENAT in India's booming digital economy, including in sectors such as software as a service (SaaS), fintech, e-commerce, and healthtech. India's digital economy is forecast to go from a 0.5% share of the country's GDP in 2010, and 4-5% share in 2022, to a 12-13% share by 2030.

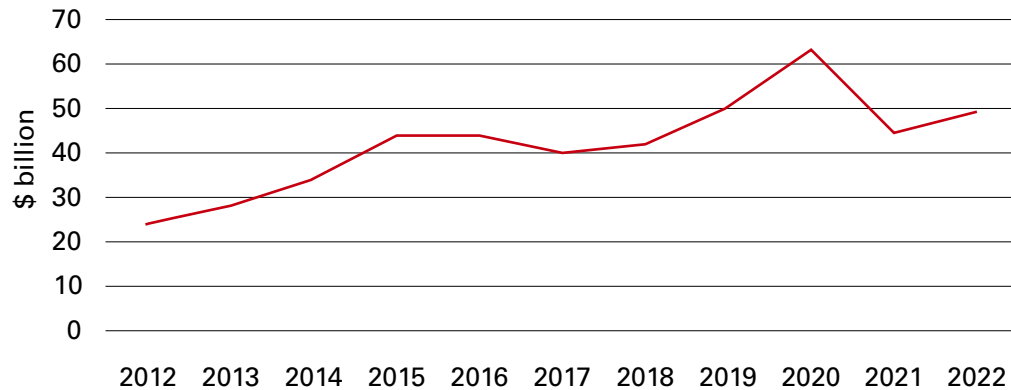
This report highlights the key Tier-1 cities and states as well as the Tier-2 cities in India that MENAT corporates and investors should consider for growth opportunities. More broadly, according to ITC data and HSBC analysis, there is a \$51 billion export potential for MENAT to India, with top exporters the UAE, Saudi Arabia, Türkiye, Kuwait, and Qatar.<sup>2</sup>

The trade and investment relationship between India and MENAT are set to increase also because of free trade agreements. In 2022, the India-UAE Comprehensive Economic Partnership Agreement (CEPA) was negotiated and concluded in just 88 days. Its anticipated benefits are in the trade in goods and services between the two markets, as well as the facilitation of greater investment flows. The India-MENAT Corridor outlook promises to be further boosted by the India-Middle East-Europe Economic Corridor (IMEC) that was announced in September 2023.

# SUMMARY INFOGRAPHICS

**1** FDI inflows into India are recovering post-Covid, boosting the country's growth and making it attractive for MENAT corporates

FDI Inflows into India: 2012-2022



Source: World Investment Report 2023

**2** There is a projected \$61 billion trade potential opportunity until 2027 for India in 5 key MENAT markets – now is the time to act

# \$61 BILLION

Export potential of India to 5 key MENAT markets



Source: ITC Export Potential Map

**3** India-UAE's CEPA agreement should create a myriad of opportunities for Indian and MENAT corporates and boost the wider India-MENAT corridor

**\$100 BILLION**

Target for bilateral goods trade by 2027

**\$15 BILLION**

Target for bilateral services trade by 2027

**88**

Number of days taken to negotiate and conclude CEPA

**11**

Number of sectors covered by CEPA

Source: Deloitte



**4** India's Tier-1 cities are driving the country's growth – 6 cities contribute 28% of India's GDP

City	Description	GDP contribution to India (\$ billion)
Mumbai	The financial capital	310
Delhi	The political capital	293.6
Bangalore	India's tech hub	110
Chennai	India's manufacturing hub	78.6
Hyderabad	A pharmaceutical and IT hub	75.2
Ahmedabad	A commercial hub	68

Source: City Monitor



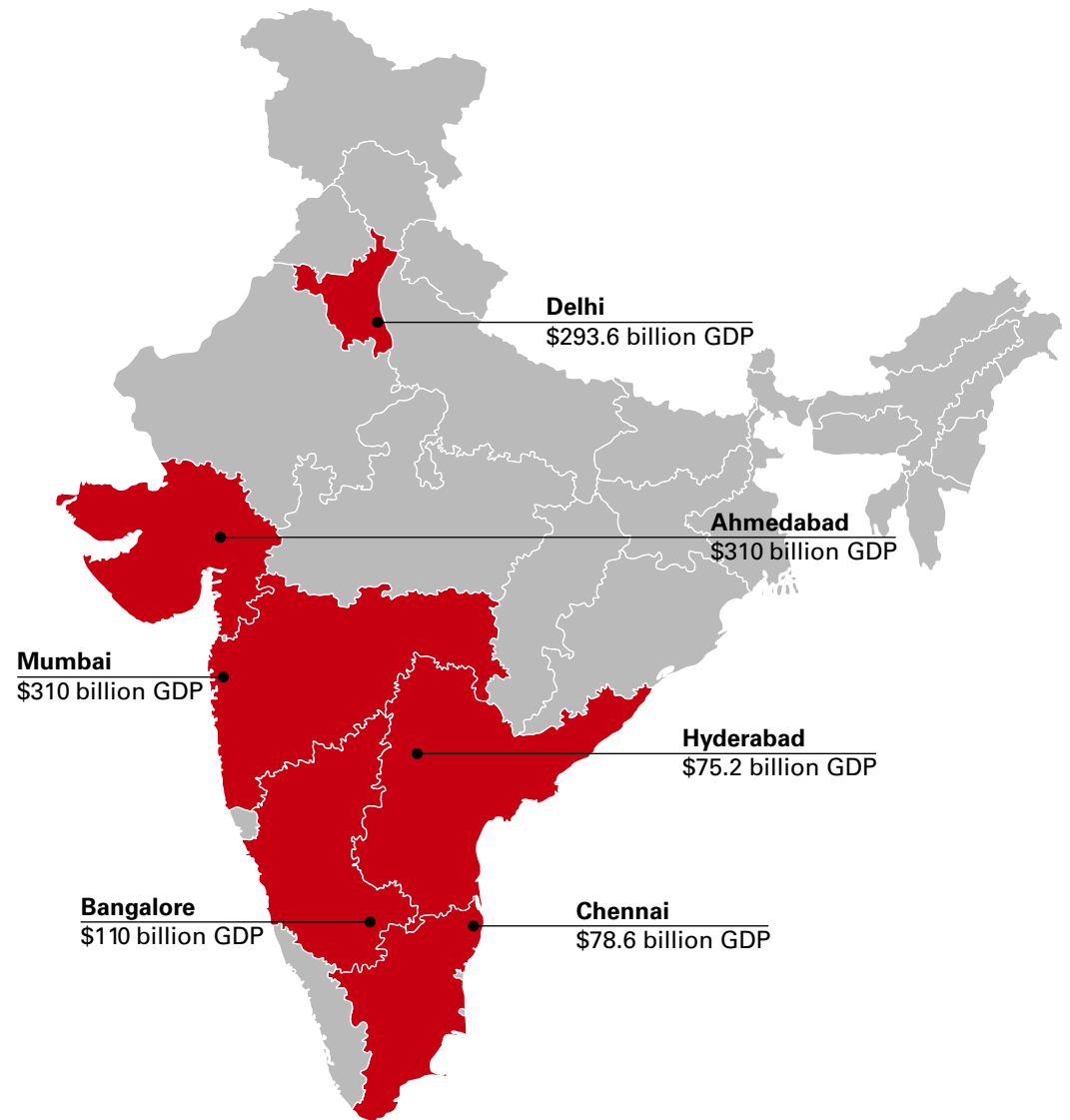


## What are the main Tier-1 and Tier-2 cities in India?

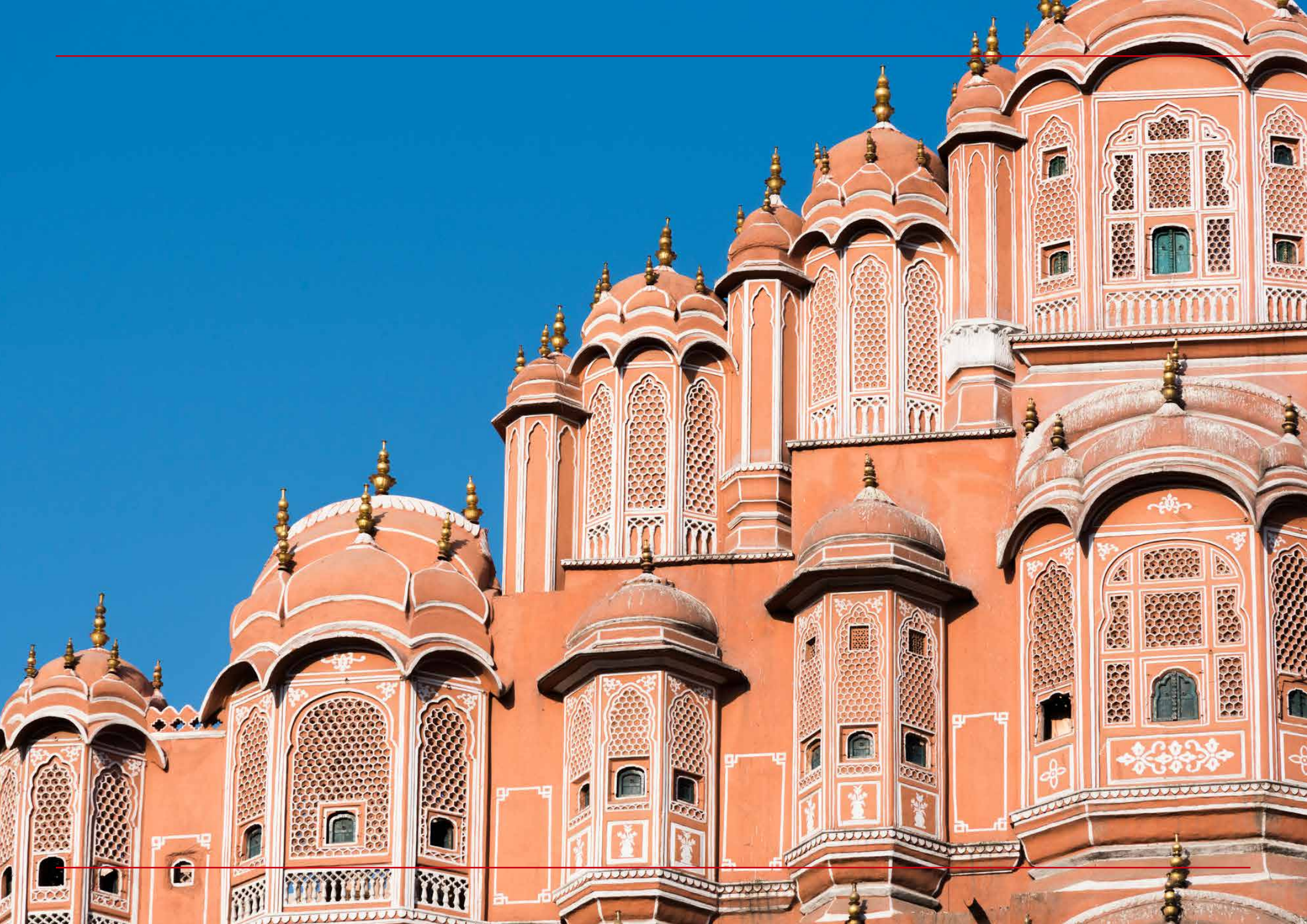
**Tier-1** cities have sizeable populations (5 million+) and are key contributors to India's economy. This report highlights eight Tier-1 cities – the seven states where these Tier-1 cities are based contributed 53% of India's GDP in 2020-21.<sup>3</sup> These states, with their Tier-1 cities in parentheses, are New Delhi (Delhi), Gujarat (Ahmedabad), Karnataka (Bangalore), Maharashtra (contains both Mumbai and Pune), Tamil Nadu (Chennai), Telangana (Hyderabad), and West Bengal (Kolkata). There are eight Tier-1 cities in India currently according to India's 7<sup>th</sup> Pay Commission's classification.

**Tier-2** cities also have considerable populations (0.5 million - 5 million) and contribute notably to India's economy. This report briefly mentions some examples of Tier-2 cities, such as Chandigarh, Coimbatore, Kochi, Jaipur, Nagpur, Mysuru, Trivandrum, and Visakhapatnam. While they are possibly not as well-known as Tier-1 cities, Tier-2 cities are fast growing in importance to the national economy. There are currently 79 Tier-2 cities in India according to India's 7<sup>th</sup> Pay Commission's classification.

(Officially, Tier-1 and Tier-2 cities are referred to as X and Y cities by India's 7<sup>th</sup> Pay Commission).





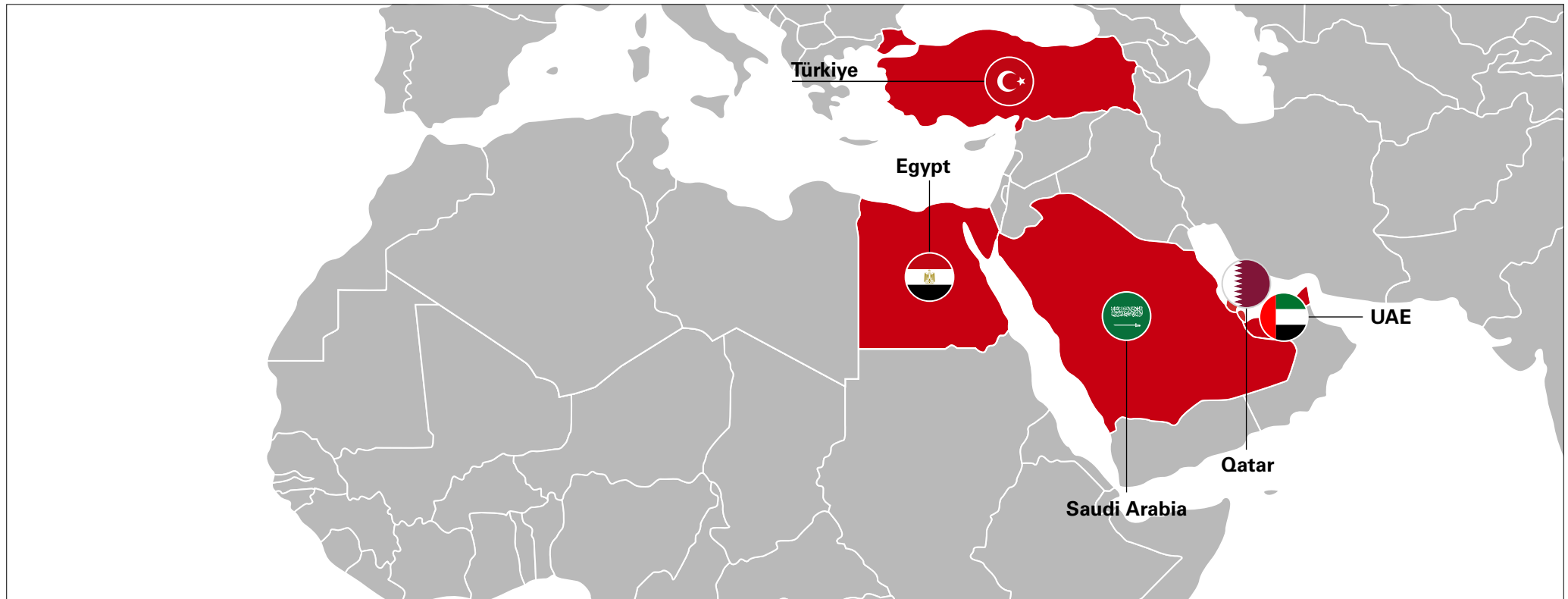


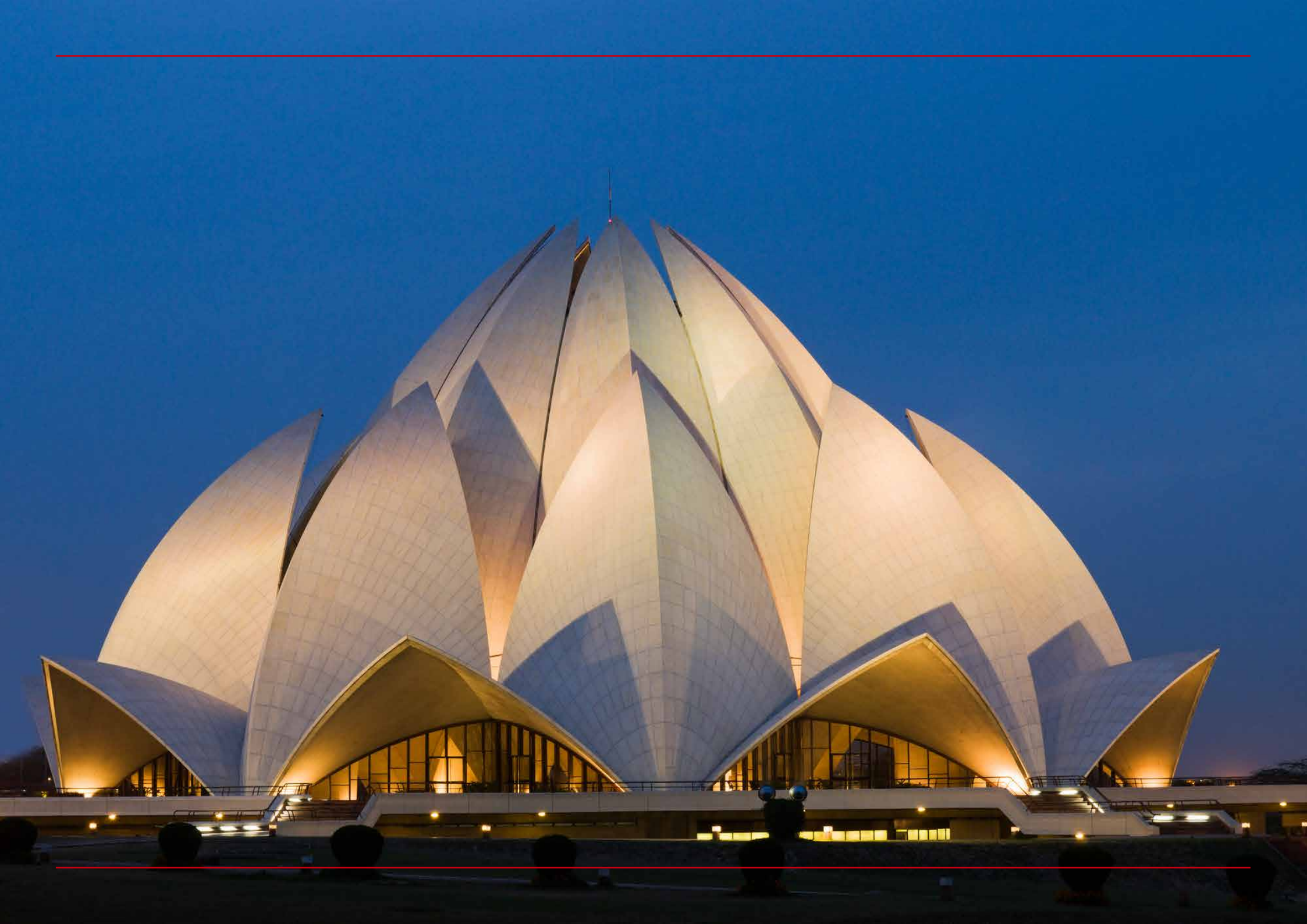


### What is MENAT and which countries are in it?

MENAT is an acronym for 'the Middle East, North Africa and Türkiye'. It is used to denote the contiguous Middle East and North Africa (MENA) region along with Türkiye. Exact definitions of which countries are included in this definition differ. For this report, we use MENAT as shorthand for the following 19 countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Türkiye, United Arab Emirates (UAE), and Yemen.

In this report, the MENAT-oriented analysis focuses mainly on five key MENAT markets that are also key economic players in the region: Egypt, Qatar, Saudi Arabia, UAE, and Türkiye.









## **SECTION 1**

**The India-MENAT Corridor is rising, buoyed by strong mutual interests**



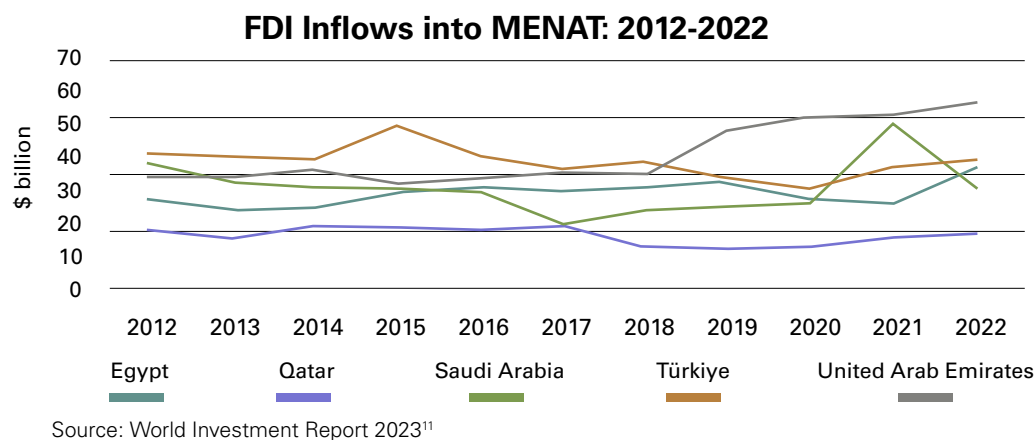
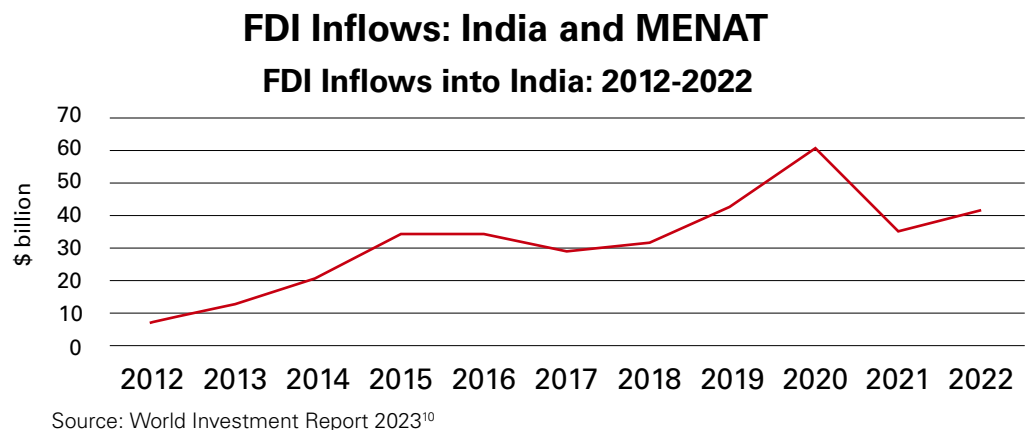
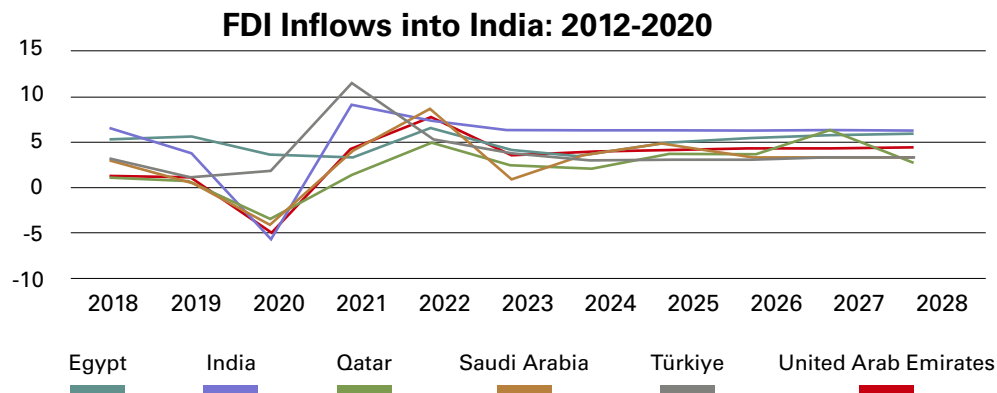
## Global Macroeconomic Context

**Global outlook:** There is currently an ongoing slump in goods trade since Q4 2022 that has led economists at the World Trade Organisation (WTO) to lower their trade projections for 2023 from 1.7% forecast in April 2023 to 0.8% as of October 2023.<sup>4</sup> The WTO also highlighted some of the key factors perpetuating the global slump in goods trade, including sticky inflation in Europe and the United States, domestic property market challenges in China that are slowing its growth, and the after-effects of COVID-19 and geopolitical tensions across Eastern Europe. Nonetheless, the global growth forecast for 2024 remains positive for world merchandise trade volumes, projected at 3.3% in October 2023, which is almost flat relative to the 3.2% forecast for April 2023.<sup>5</sup>

**Longer-term prospects** for global trade are also positive, due to wider trends including the reshaping of global supply chains and the adaptation of trade policies for the green transition.<sup>6</sup> Notably, despite the mixed global trade outlook, India was one of the relative success stories highlighted in the United Nations Conference on Trade and Development (UNCTAD)'s latest trade update in June 2023, with significant growth in its exports in Q1 2023.<sup>7</sup> With the rich history of historical trade links between India and the MENAT region, and the current resurgence of both regions' economies, now is the time to explore the latent potential for further collaboration along the India-MENAT Corridor.

**GDP forecasts** from the IMF's World Economic Outlook (October 2023) indicate good post-pandemic recoveries for India and key MENAT markets from 2023 onwards, with India forecast to grow by 6.3% from 2027-2028, while Egypt and the United Arab Emirates (UAE) are forecast to grow at 6% and 4.5% over the same period, respectively. Moreover, FDI inflows have been mostly rising in both India and key MENAT countries in the decade 2012-2022, suggesting sustained confidence in both as investment destinations.<sup>8</sup> India's FDI inflows doubled from \$24.1 billion to \$49.4 billion from 2012-2022, while the UAE was a key MENAT performer, rising from \$9.6 billion to \$22.7 billion over the same period. Egypt's growth over that decade was also impressive, increasing from \$6 billion to \$11.4 billion.

## GDP Growth Forecasts: India and key MENAT markets



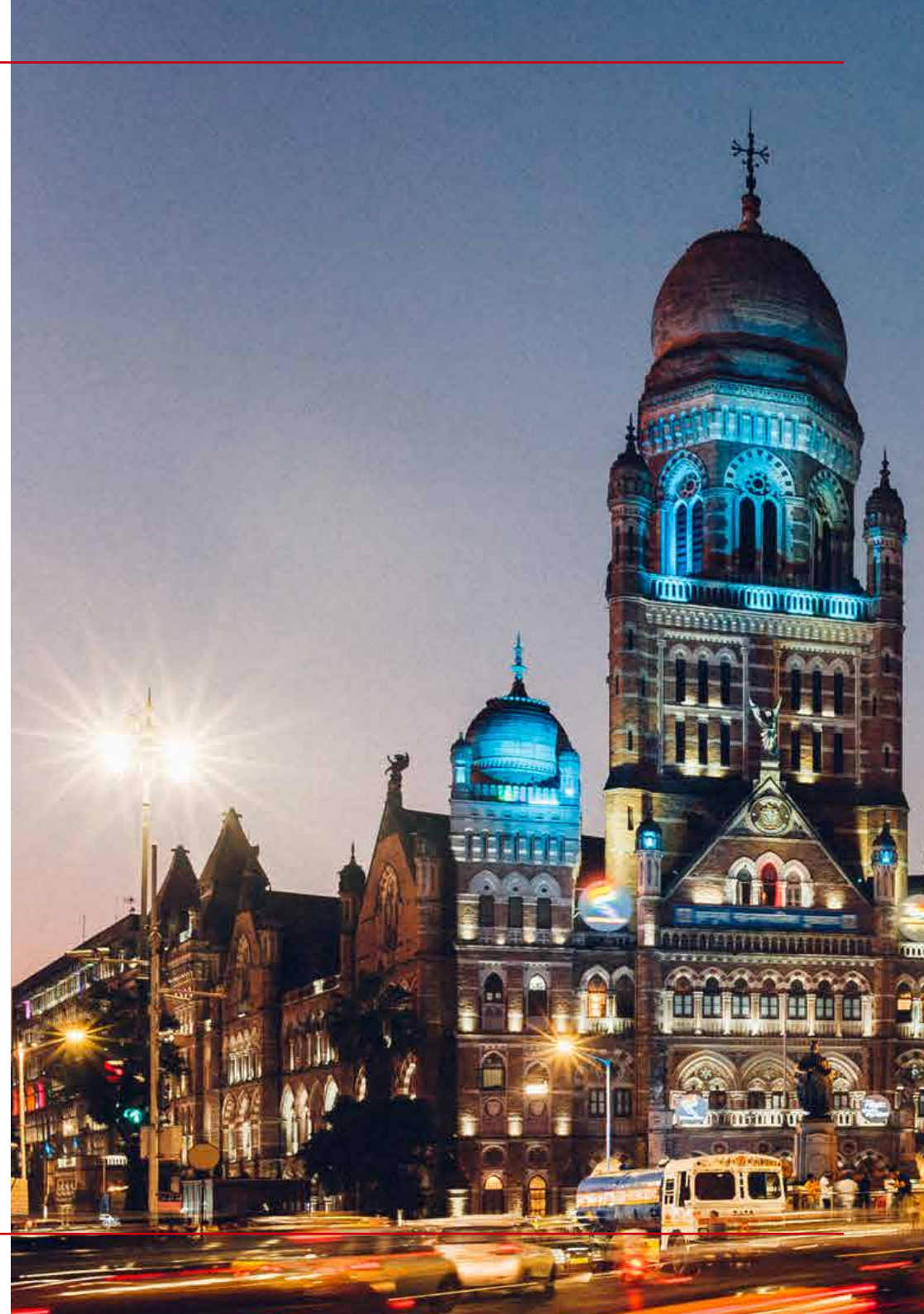


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## Historical linkages between India and MENAT are now deepening, boosted by strong mutual interests

### Deep historical linkages:

India and MENAT have traditionally benefited from longstanding historical linkages, especially between India and the Gulf countries (Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, and the UAE), given their geographic proximity and the well-established presence of Indian diasporas in those Gulf countries. Moreover, India depends on Gulf Co-operation Council (GCC) oil exports to fuel its economic growth, as well as remittances from GCC Indians. The GCC also provides notable levels of FDI to India.<sup>12</sup> Conversely, the GCC region depends on India for food security, tapping into India's agricultural exports. More broadly, India's current focus remains primarily on the GCC, as trade and investment ties with other MENAT countries is still relatively more modest<sup>13</sup>, with India-GCC ties evolving from historical trade connections into deeper current linkages in capital, talent, and technology.









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## Box: Context on key MENAT markets



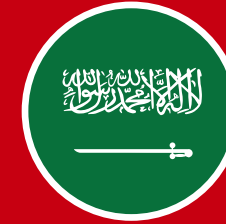
### Egypt

Strategically positioned at the crossroads of Asia, Africa, and Europe's trade routes, Egypt is a pivotal economy for the MENAT region. Egypt benefits to some extent from its demographic dividend as the most populous MENAT country (109.3 million) but it is also quite dependent on limited arable land.<sup>14</sup> High global food and fuel prices exacerbated these issues in 2022.<sup>15</sup> However, Egypt's economy is still projected to grow at 8.2% annually across 2023-2028 to \$591 billion.<sup>16</sup>



### Qatar

Qatar has undergone significant transformation over the past 60 years, financed mostly by its sizeable oil and natural gas reserves. Qatar started pursuing a considerable set of reforms since the 1990s, such as high government economic investment and developing advanced healthcare and education systems. The Gulf nation's GDP per capita started significantly rising in the 2000s and it is now one of the world's highest. Not resting on its laurels, Qatar created a colossal set of infrastructure ahead of hosting the FIFA World Cup 2022.<sup>17</sup> The country's National Vision 2030 provides a clear roadmap for more prosperity and the Qatari economy is forecast to grow 4.6% annually across 2023-2028 to \$295 billion.<sup>18</sup>



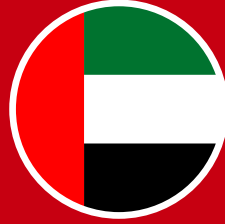
### Saudi Arabia

A regional powerhouse, Saudi Arabia is a key producer of oil and natural gas, with a crucial role in global energy markets.<sup>19</sup> Government policy in recent years has focused on economic diversification and attracting foreign investment, with initiatives such as corporate law reforms and a focus on privatisation.<sup>20</sup> Vision 2030 is providing strategic direction, and multiple reform programmes are underway such as for financial services and the NEOM smart city project. However, GDP growth projections up to 2028 remain modest, at 3.6% growth annually across 2023-2028, to \$1.28 trillion, behind Türkiye's 2028 projected GDP of \$1.58 trillion.<sup>21</sup> Of course, should oil prices continue to increase, Saudi Arabia's projections will also rise.



## Türkiye

Türkiye is poised to grow at 6.4% annually across 2023-2028, from \$1.15 billion GDP in 2023 to a projected \$1.58 billion. Although a fast-growing MENAT economy, events such as the 2023 earthquakes, together with the continued steep decline of the Turkish lira, could lead to a future downward revision of growth projections for Türkiye.



## United Arab Emirates (UAE)

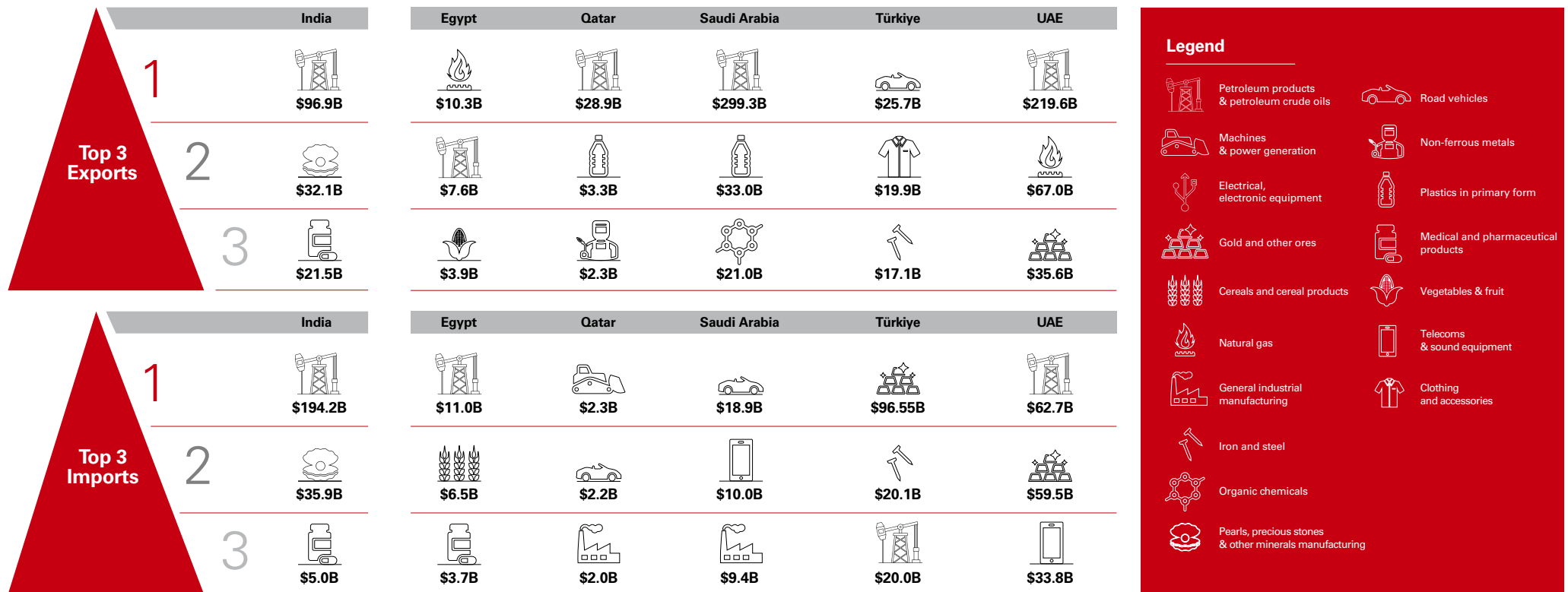
Economic growth in the UAE is forecast at 5.1% annually across 2023-2028, from \$509 billion GDP in 2023 to \$652 billion in 2028. With several economic diversification plans and initiatives in place, such as Dubai's Economic Agenda (D33), the UAE should be well-placed to foster economic growth for the future.<sup>22</sup>

Non-oil sectors including tourism and real estate are earmarked to drive this growth, along with rising levels of FDI and deeper capital markets in Dubai and Abu Dhabi.<sup>23</sup>



## Trade linkages are increasing between India and MENAT, with several existing trade agreements in place too; now is the time for Indian and MENAT corporates to make inroads in both directions

**Current trade linkages:** In 2022-23, India imported significant amounts of crude oil and petroleum products – net imports totalled \$127 billion over the period April 2022 – March 2023.<sup>24</sup> Key MENAT countries (Egypt, Qatar, Saudi Arabia, Türkiye, and UAE) are notable oil exporters, which is expected given that five of the world’s leading oil producers are MENAT countries, contributing 26% of the global total.<sup>25</sup> These five key MENAT countries make up 70% of MENAT’s GDP and 44% of its population.<sup>26</sup> Regarding imports in 2022, these key MENAT countries focus on obtaining a variety of goods, including goods from general industrial manufacturing, gold, telecoms & sound equipment, while India focuses on procuring petroleum oil & products. The chart below illustrates this high-level point in more detail visually, showing the top 3 exports and imports globally for India and these key MENAT countries in 2022:<sup>27</sup>



Source for both tables: UN COMTRADE Analytics (accurate as of November 2023)<sup>28</sup>

### **Rising India-MENAT trade and agreements:**

India-MENAT trade is rising<sup>29</sup>, which is unsurprising considering a mutual alignment in trade and investment interests. The UAE and Saudi Arabia are now India's third and fourth largest trading partners, respectively,<sup>30</sup> and India-GCC bilateral trade grew from \$87 billion to \$154 billion between 2021 and 2022.<sup>31 32</sup> In fact, analysis of data from India's Ministry of Commerce and Industry shows that India's exports to the GCC's six countries rose from \$43.9 billion in 2021-2022 to \$51.3 billion in 2022-2023, a year-on-year increase of 16.8%.<sup>33</sup>

Moreover, although Free Trade Agreements between India and MENAT countries are at a nascent stage, there are signs that these FTAs will soon develop further. For instance, in 2022 India and the UAE signed a Comprehensive Economic Partnership Agreement (CEPA)<sup>34</sup>, while a wider India-GCC FTA is also under negotiation<sup>35</sup> with talks resuming between the GCC and India in 2023.<sup>36</sup> Additionally, an India-Oman FTA has been proposed as well.<sup>37</sup> In fact, CEPA was signed after just 88 days of negotiations.<sup>38</sup> These developments collectively provide a good foundation for increasing government to government (G2G) co-operation between India and MENAT countries.

### **UAE's role:**

Another relevant aspect to note is that the UAE is a key driver of GCC trade with India: India-UAE bilateral trade is set to grow at US\$5.6 billion per annum from 2022-2028, creating significant opportunities for UAE and Indian exporters.<sup>39</sup> Officially, the aim is to grow bilateral goods trade from \$60 billion to \$100 billion by 2027<sup>40</sup>, with consulting firm KPMG projecting that this \$100 billion milestone will be reached by 2030.<sup>41</sup> India also ranks as the UAE's number one trading partner for non-oil exports, accounting for nearly 14% of the UAE's total non-oil exports globally.<sup>42</sup>

### **Other developments augur well for India-MENAT corridor:**

Other developments include the Dubai Economic Agenda (D33) launched in 2023, an economic vision for Dubai that should create opportunities for Indian talent in the city.<sup>43</sup> Elsewhere, Saudi corporates such as Saudi Aramco, SABIC, Alfanar Energy, as well as the Public Investment Fund (PIF) are investing considerably in Indian infrastructure.<sup>44</sup> Additionally, industry bodies such as Invest India and the Dubai Chamber of Commerce are playing facilitative roles along the India-MENAT corridor. Partnerships are also forming between India and MENAT countries in areas such as food security, sustainability, and renewable energy. Fintech and start-up ecosystem collaborations are growing too, with the launch of the "India-UAE Start-up Corridor"<sup>45</sup> that has an ambitious target to grow 10 India/ UAE-based unicorns by 2025.<sup>46</sup> There are also growing fintech linkages, for example in remittances, which may help further drive the bilateral business environment.<sup>47</sup>

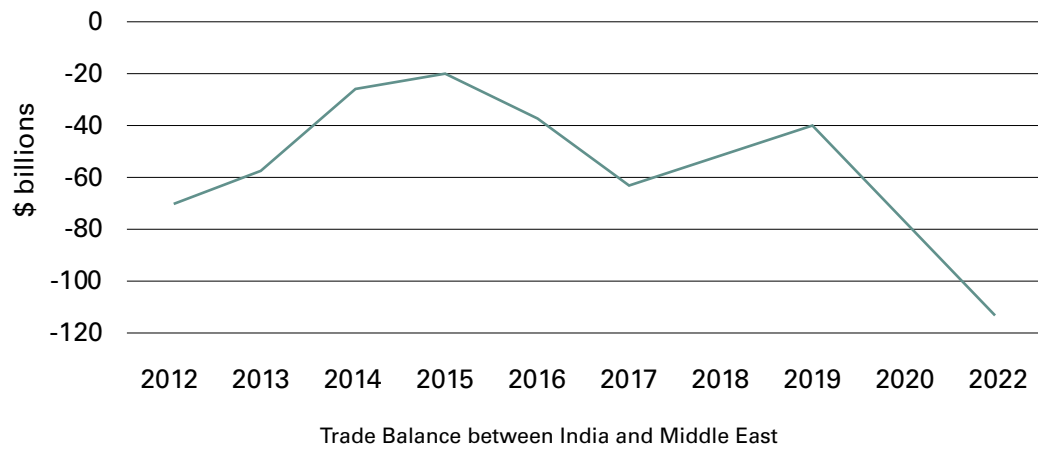
### **Outlook:**

Looking ahead, Energy is set to remain a key driver of the India-MENAT relationship: India's oil imports are projected to exceed China's oil imports, making India an increasingly attractive market for refinery investments, with GCC countries the likely key beneficiaries of such a development. Additionally, India's attempts to diversify its type of energy supply sources in line with the global transition offer an enticing opportunity for GCC countries to invest in India's rising renewable energy market.<sup>48</sup>



Moreover, MENAT's abundant energy resources and India's strengths as an agricultural exporter indicate a positive long-term outlook for the India-MENAT Corridor, underpinned by strong mutual interests and the rise of both India and the GCC region as global economic powerhouses. For instance, the Corridor is likely to see greater diversification and deepening, with total trade expected to grow by a further 50% and exceed \$190 billion by 2030.<sup>49</sup> As of end-2022, India's trade balance with the Middle East is negative, due mainly to energy imports:

### India has a negative trade balance with the Middle East, due mainly to energy imports



Source: ITC Trade Map

Datapoints like these hint that now is the time for corporates and investors from India to make inroads into MENAT and make the most of the strong bilateral trade and investment ties that exist. Section 2 of this outlook will look at how key markets in MENAT (e.g. Egypt, Qatar, Saudi Arabia, Türkiye, and the UAE) offer good opportunities for more trade and investment by both corporates and investors from India.











## SECTION 2

How can Indian corporates succeed  
in MENAT markets?

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## Overview & Trends: Tapping into the opportunities presented by rapid economic transformation and reforms across MENAT

### Rapid transformation taking place:

As mentioned in our reports on the [ASEAN-MENAT](#) and [China-MENAT](#) Corridors, MENAT countries historically have been major energy exporters, with continued reliance on hydrocarbons at present. However, they are also making strides in the development of non-oil sectors, in line with the wider global energy transition. Some of these non-oil sectors being actively developed are travel and tourism, real estate and construction, manufacturing, telecommunications, and financial services. MENAT countries are also rapidly transforming in response to wider global megatrends, such as demographic changes, resource scarcity and food security concerns, the shift in economic power eastwards, urbanisation, and the rise of digital technology. Consider the following:<sup>50</sup>

- **Demography:** 60% of GCC citizens are under the age of 30, and the number of under-30s in the GCC is predicted to reach 65 million by 2030.
- **Scarcity and food security:** Thirteen of the 22 Arab states experience water scarcity with less than 500m<sup>3</sup> per inhabitant per year, compared to the global average of 6,000m<sup>3</sup>. Also, GCC countries import around 85% of their food, around 93% of cereals, close to 62% of meat and 56% of vegetables.<sup>51</sup>
- **Shift in power east:** Three of the GCC countries are part of the world's Top 10 global oil producers (Saudi Arabia, the UAE, and Kuwait), and MENAT straddles the major Asian, African, and European trade routes.

- **Urbanisation:** \$1.6 trillion of infrastructure investment is estimated to be needed in the GCC over the next five years to support the region's growing population. According to another estimate, there will be a funding gap of almost \$1 trillion (\$993.9 billion) for infrastructure in the wider MENA region by 2040, in essential sectors such as roads, telecoms, electricity, water, rail, ports, and airports.<sup>52</sup>
- **Global digital revolution:** Digitalisation is having a major impact in key MENAT markets, with nations such as the UAE investing heavily in digital-first cultures. For example, MENA countries will invest \$70 billion in mobile infrastructure between 2019 and 2025.<sup>53</sup> Already, 40% of shoppers in the UAE and Saudi Arabia are buying goods and services online via their mobiles on a daily or weekly basis as of 2021 (vs 33% globally), underscoring how digital transformation and online experiences are an integral part of daily life in the Gulf. These new realities will likely create opportunities for Indian corporates in digital-heavy and digital-enabling industries.



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## Reform momentum is building in MENAT, facilitating numerous business opportunities, including India's ambition to be the GCC's food basket

### Reform momentum:

Several reforms are taking place across the MENAT region, underlining the strong desire to make these countries competitive environments that can attract global and regional businesses. Some of the drivers of this reform impetus include factors such as digitalisation, oil price shocks, a desire to increase youth employment, and the green transition. This recent reform momentum is creating latent potential for unlocking opportunities along the India-MENAT Corridor through improvements in areas such as business competitiveness in some of the key MENAT markets, for example the UAE's Federal Competitiveness and Statistics Centre (FCSC) has noted that the country comes first in 156 world competitiveness indicators.<sup>54</sup> Indian corporates, due to the wider well-established links between India and MENAT, are currently well positioned to tap into the latent potential of key MENAT markets, a latent potential that is bolstered by market, legal and socio-economic reforms in the GCC region that indicate the Gulf nations' willingness to open their economies to foreign investment. Some of the significant reforms include:<sup>55</sup>

- **Market reforms:** e.g. increasing liquidity and trading in Gulf capital markets, and floating state-owned assets on local stock exchanges.
- **Legal reforms:** e.g. Saudi Arabia's New Companies Law and judicial reforms aim to boost business confidence in the Kingdom and create a more socially liberal environment that will help attract foreigners to live and work there.
- **New visas:** e.g. new visas that are being introduced to attract more expat staff by allowing for greater benefits and protections. These open opportunities in sectors that rely heavily on expatriates, such as financial services, tourism and other service industries, and manufacturing.
- **Changes to the UAE working week:** e.g. bringing the UAE in line with the global weekend (Saturday and Sunday off). Working weeks are now fully aligned between the UAE and the rest of the world - a reform intended to increase productivity.



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### **Sizeable Indian diaspora in GCC now numbers 8.8 million, helping to deepen regional capital, talent and technology ties:**

Another key catalyst for further inroads by Indian corporates and investors into the MENAT region is the presence of active Indian diasporas across the MENAT region, especially in the GCC, as they are also playing an important role to help further deepen existing ties in areas of capital, talent, and technology. In the GCC, there are 8.8 million Non-Resident Indians (NRIs), accounting for over 66% of NRIs worldwide (NRIs are Indian passport holders who reside outside India), according to estimates by India's Ministry of External Affairs.<sup>56</sup> Those estimates also indicate the largest Indian diasporas in the GCC are in the UAE (3.41 million), Saudi Arabia (2.59 million) and Kuwait (1.02 million).<sup>57</sup> Moreover, in the Dubai real estate market, Indians have overtaken British expats to become the largest real estate investors in Dubai's property market, as of November 2023,<sup>58</sup> with Dubai Land Department data indicating Indians invested \$4.32 billion in Dubai's real estate sector in 2022, the second-highest of any nationality.<sup>59</sup> Additionally, another example Indian diasporas' growing significance in MENAT is the number of new Indian-owned companies that registered with the Dubai Chamber of Commerce in H1 2023 reached 6,717, an increase of 39% compared to the same period in 2022. Indian companies made up 22.3% of the 30,146 new companies that joined the Dubai Chamber of Commerce in H1 2023, taking the total number of Indian member companies to 90,118. Such numbers illustrate the considerable role Indian companies have in developing Dubai's economy.<sup>60</sup>

### **India's ambition to be the food basket for GCC is taking shape:**

Technology initiatives are transforming the GCC's agriculture industry,<sup>61</sup> and within this wider context, joint investments between the UAE and India have been taking place for several years already. Plans for an India-UAE Food Corridor were initiated in 2019 based on \$7 billion of UAE investment, while the UAE also plans to invest \$2 billion in constructing food parks in India with state-of-the-art technology in agritech, cleantech and renewable energy.<sup>62</sup>

### **Bilateral trade figures are significant between India and key MENAT markets:**

India-Qatar bilateral trade passed \$18 billion in 2022,<sup>63</sup> while Saudi Arabia-India bilateral trade reached \$24 billion in 2023, and stakeholders on both sides expect this Saudi Arabia-India trade to increase to \$100 billion over the next five years.<sup>64</sup> Also, Indian bilateral trade with Türkiye in 2022-23 was at \$13.8 billion.<sup>65</sup> These figures further underscore the promising state of bilateral trade between India and key MENAT markets, which along with Indian investments in these markets suggest a good outlook for the India-MENAT Corridor.





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## Box: Recent examples of Indian investments in key MENAT markets



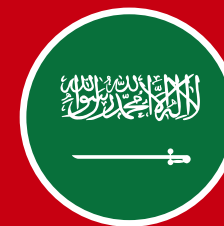
### Egypt

In 2023, Indian investments in Egypt reached close to \$3.5 billion, with \$170 million in H1 2023 alone in areas such as green hydrogen and electric vehicles.<sup>66</sup> Some of the other Egyptian sectors India is investing in are food industries, chemicals, and tourism.<sup>67</sup> Additionally, Egypt's Suez Canal Economic Zone (SCZONE) signed an agreement with Indian firm Abdos Labtech that specialises in making plastic products for labs. This investment to establish a factory is worth \$30 million and will create 350 new jobs.<sup>68</sup>



### Qatar

India and Qatar are exploring co-operation in areas such as food and health security, information technology (IT), artificial intelligence (AI), and education.<sup>69</sup> According to Qatar Chamber of Commerce and Industry (QCCI), over 6,000 big and small Indian companies are operating in Qatar, collaborating in areas such as infrastructure, communications and information technology, and energy. Some of these companies include Larsen & Toubro, Voltas, Shapoorji Pallonji, Wipro, TCS and Tech Mahindra.<sup>70</sup> Indian companies in the infrastructure and IT sectors have also expanded their operations in recent years, spearheading high-profile projects such as the Al Rayyan Stadium, Gold Line Metro, and Wakra Bypass highway.<sup>71</sup>



### Saudi Arabia

Major Indian corporates have established presences in Saudi Arabia, such as L&T, TATA, Wipro, TCS, TCIL, Shapoorji & Pallonji, Air India, Go Air, Indigo, and SpiceJet.<sup>72</sup> Sector wide collaboration between India and Saudi Arabia is fairly diversified, ranging from co-operation in more established sectors such as hydrocarbons, automotive and machinery, pharmaceuticals and textiles to co-operation in areas of the new economy such as renewable energy, tourism, housing, entertainment and food security.<sup>73</sup>



## Türkiye

Indian companies invested around \$126 million in Türkiye in 2022-23.<sup>74</sup> Prior to 2022, the Turkish ambassador to India, Firat Sunel, mentioned in 2021 that Türkiye was open to private sector investments in mining, steel, pharmaceuticals, hospitality, bridge and highway construction, and IT.<sup>75</sup> Notable investments in the last decade include Indian automobile company Mahindra & Mahindra in 2017 acquiring the Turkish tractor maker Erkunt Traktor Sanayii for US\$117 million, and the Indian packaging material manufacturer Polyplex setting up a unit in Çorlu, one of Türkiye's rapidly developing industrial hubs, with the aim to export to European markets.<sup>76</sup>



## United Arab Emirates (UAE)

In October 2023, the UAE-India High Level Joint Task Force met in Abu Dhabi, where India's delegation emphasised potential investment opportunities in areas such as renewable energy, health, semiconductors, and asset monetisation.<sup>77</sup> Other developments covered include the India-UAE Start-Up Bridge, a platform for exchanging information that would help enable further growth in both countries' start-up ecosystems; and reviews of the launch of the Abu Dhabi-India Virtual Trade Corridor and progress by Abu Dhabi Investment Authority's plans to set up a financial free zone in Gujarat to facilitate future investments in India. Also, during the high-level meeting, the UAE's Ministry of Industry and Advanced Technology and India's Ministry of Commerce and Industry signed a memorandum of understanding (MoU) to boost collaborations in the space, healthcare, renewable energy, and AI industries.<sup>78</sup> In the real estate sector, Indian investors reportedly made up 20% of all property transactions in Dubai during Q1 2023, putting almost \$2 billion into the market.<sup>79</sup>

## Indian outward FDI flows to key MENAT markets in 2022-23:

\$3,134.5 million to the UAE, \$194.1 million to Saudi Arabia, \$9.2 million to Qatar, \$5.3 million to Türkiye, and \$0.15 million to Egypt.<sup>80</sup>



## Overall opportunity: \$61 billion export potential for India into MENAT markets

### Export potential:

ITC data indicates an export potential of \$61 billion for India into the five key MENAT markets. Some of the main markets for India within the region with especially high export potential include the UAE (\$32 billion), Saudi Arabia (\$11 billion), and Türkiye (\$11 billion). The table below maps ITC's estimations of India's export potential to 2027 for the key MENAT markets, with the data suggesting that now is a good time for Indian corporates and investors to enter or expand into these markets:

# \$61 BILLION

Export potential of India to 5 key MENAT markets

Source: ITC Export Potential Map (as of Nov 2023)<sup>81</sup>

Export potential of India to MENAT markets		
Exporter	Market	Export potential into this market (\$ million)
India	UAE	32,000
	Saudi Arabia	11,000
	Türkiye	11,000
	Egypt	5,100
	Qatar	2,700
	<b>Total</b>	<b>61,800</b>



Additionally, the chart below presents other sector investment opportunities for Indian corporates in key MENAT markets, based on the largest export gaps identified by ITC. These key MENAT markets were selected as they are the largest five markets by overall export potential in the MENAT region.

## ► From India

Top Sectors		Export Gap (\$ M)
<b>Egypt</b>		
1	Pharmaceutical components	417
2	Mineral resources	408
3	Machinery, electricity	308
<b>Qatar</b>		
1	Jewellery & precious metal articles	223
2	Ferrous metals	180
3	Mineral resources	141
<b>Saudi Arabia</b>		
1	Pharmaceutical components	822
2	Machinery, electricity	617
3	Apparel	525
<b>Türkiye</b>		
1	Machinery, electricity	770
2	Metals (except ferrous & precious)	714
3	Ferrous metals	659
<b>UAE</b>		
1	Jewellery & precious metal articles	6,900
2	Pharmaceutical components	704
3	Ferrous metals	655





## Key sector investment opportunities for Indian corporates in key MENAT markets

Data from the Reserve Bank of India (RBI) helps illustrate which sectors Indian companies are investing in when it comes to key MENAT markets, as well as the type of financing used. Over the 12-month period October 2022-September 2023, Indian outward FDI flows to 5 key MENAT markets (Egypt, Qatar, Türkiye, Saudi Arabia, and UAE) totalled \$3.34 billion, most of which went to the UAE (\$3.13 billion) and Saudi Arabia (\$194.1 million). These five markets attracted 15% of Indian outward FDI worldwide during that period.<sup>82</sup> Also, the financing mix for Indian outward FDI to key MENAT markets was 53% by guarantee, 31% equity, and 16% loans, which contrasted slightly with the financing mix for Indian outward FDI globally, which was 41% by guarantee, 40% equity, and 19% loans.<sup>83</sup>

### Key sector opportunities:

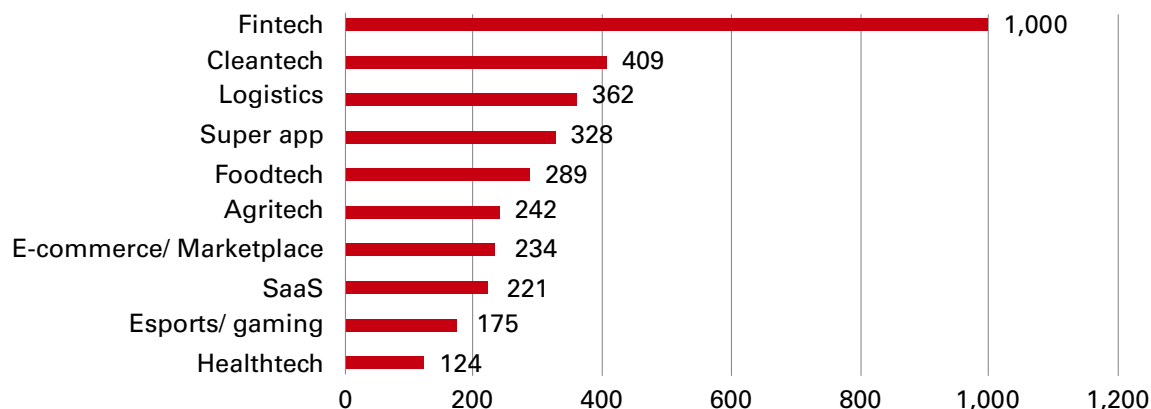
Regarding the sectors in these key MENAT markets, certain sectors were dominant in different markets. The sectors attracting the most Indian investments by country in October 2022-September 2023 were:<sup>84</sup>

- **Egypt:** Manufacturing (94% of total Indian investments in Egypt)
- **Qatar:** Financial, business and insurance services (97% of total Indian investments in Qatar)
- **Saudi Arabia:** Construction (98% of total Indian investments in Saudi Arabia)
- **Türkiye:** Manufacturing (61% of total Indian investments in Türkiye)
- **UAE:** Wholesale, retail trade, restaurants, and hotels (37% of total Indian investments in UAE)

### MENA data on startup investments:

Moreover, data on startup investments in MENA gives a more general flavour of which sectors are attracting investment capital in the region. As the chart based on WAMDA data shows, in 2022 these sectors included fintech, cleantech, logistics, super apps, each of which attracted north of \$300 million each in investments, with fintech leading via \$1 billion of investments.

Top 10 sectors for startup investments in MENA (\$ million) - 2022








Source: WAMDA<sup>85</sup>

**Summary chart:**

The chart below also summarises some key sector investment opportunities and areas of collaboration between India and key MENAT markets that this outlook highlights:

**Key sector investment opportunities and areas of collaboration: India and key MENAT markets**

 <b>Egypt</b>  Green hydrogen and electric vehicles	 <b>Qatar</b>  Chemicals Education Infrastructure	 <b>United Arab Emirates (UAE)</b>  Semiconductors Asset monetisation Space industry Trade Hubs settling in UAE	 <b>Saudi Arabia</b>  Hydrocarbons Pharmaceuticals Housing	 <b>Türkiye</b>  Automotive Manufacturing
<p><b>Across key MENAT markets:</b></p> <ul style="list-style-type: none"><li>• Technology</li><li>• Manufacturing</li><li>• Food security</li><li>• Renewable energy</li><li>• Fintech</li><li>• IT and AI</li><li>• Infrastructure</li><li>• Travel &amp; tourism</li></ul> <p>Source: Various news websites, HSBC Analysis</p>				

In section 3, we will look at how MENAT corporates can make inroads in the Indian market, the overall export potential opportunities for them in India, the key sector opportunities including those in India’s digital economy, and the Tier-1 cities and states that are driving India’s growth.



A photograph of the Dubai skyline at sunset. The Burj Khalifa is the central focus, illuminated against the orange and blue sky. To its left and right are other skyscrapers, some under construction with cranes. In the foreground, a large, curved, white architectural structure, possibly a bridge or walkway, curves from the top right towards the center. The water of a canal or bay is visible at the bottom.

## **SECTION 3**

**How can MENAT corporates make inroads into the Indian market?**

## Overview & Trends: India is rising economically and attracting significant investment from MENAT

### Rise of India creating opportunities:

The symbolism of India's significant achievement of landing on the relatively unexplored South Pole of the moon in August 2023<sup>86</sup> foreshadows the country's broader rise as an economic power.<sup>87</sup> In fact, India is forecast to transition from lower to upper middle income status by 2029, with its economy projected to grow from \$3.4 trillion in 2022 to \$7.5 trillion - \$8 trillion by 2032.<sup>88</sup> Additionally, India is projected to have the world's third largest consumer market by 2027: as of September 2023, it is fifth globally, but BMI predicts a 29% increase in Indian real household spending.<sup>89</sup>

### A new trade corridor, IMEC, is now in the pipeline – an interesting development to follow:

Along with the above-highlighted growth potential over the medium and long-term, other notable developments also indicate a good outlook for India's economic progress. For instance, in September 2023 India hosted the G20 Summit, where among other developments, plans for a new India-Middle East-Europe Economic Corridor (IMEC) were announced.<sup>90</sup> IMEC is the result of agreement between India, the UAE, Saudi Arabia, and the US to build shipping and railway links to connect Europe and the Middle East with India, thus potentially enhancing commerce, energy trade and digital connectivity between these regions.<sup>91</sup> According to some estimates, IMEC could lead to an anticipated 40% increase in trade speed between India and Europe,<sup>92</sup> and Saudi Arabia has committed \$20 billion to developing IMEC, indicating the strong intent by stakeholders to make IMEC a success.<sup>93</sup> Another relevant partnership, the CEPA between India and UAE, is highlighted in this section as well.

### India attracting notable investments from MENAT:

Consequently, within this broader context, it is hence unsurprising that India's strong economic fundamentals has attracted significant investments from MENAT countries.

In particular, the influx of Gulf capital is important as it helps fuel the growth and deepening of India's domestic business ecosystems. Along with developments such as the talks between the Reserve Bank of India (RBI) and the Central Bank of the UAE (CBUAE) to promote bilateral trade in the rupee and dirham, these investments should help foster greater mutual economic benefits.<sup>94</sup> Some examples of these investments include:

- **Qatar:** Qatar's Investment Authority (QIA) is investing \$1 billion in India's Reliance Retail, giving the Indian company a \$100 billion valuation.<sup>95</sup>
- **Saudi Arabia:** Saudi Arabia is the 18th largest investor in India as of September 2022, investing \$3.15 billion into India, and the Saudi Public Investment Fund (PIF) has made \$2.8 billion of investments in India's digital and retail sectors.<sup>96</sup>
- **Türkiye:** Turkish investments in India totalled \$223 million, with media reports indicating that Turkish contractors have projects worth \$430 million in progress in India.<sup>97</sup>
- **UAE:** The UAE is the seventh largest investor in India, with an estimated investment of over \$18 billion as of May 2023.<sup>98</sup>

### Some challenges for MENAT corporates to consider:

There are some market entry challenges for MENAT corporates to consider when doing business in India, such as high tariffs (the highest average applied tariff of any G20 country), price sensitivity, capacity constraints in infrastructure, and the power of individual states, which makes it crucial for corporates and investors to tailor strategies specific to each state's strengths and challenges.<sup>99</sup>



## India-UAE's Comprehensive Economic Partnership Agreement (CEPA): Overview and results so far

The chart below also summarises some key sector investment opportunities and areas of collaboration between India and key MENAT markets that this outlook highlights:

In 2022, India and the UAE negotiated and concluded CEPA in just 88 days. Some of CEPA's anticipated benefits are: boosting trade in goods and services between both markets, as well as facilitating greater investment flows and enabling UAE industries and manufacturers that do business with India to benefit from a more transparent trading environment. For instance, CEPA eliminates or reduces tariffs in over 80% of bilateral product lines<sup>100</sup>. Some of the numerous CEPA measures highlighted by the UAE's Ministry of Economy include:<sup>101</sup>

- Eliminating or reducing customs duties
- Removing non-tariff barriers to trade
- Strengthening the use of international standards
- Granting preferential access to the Indian market
- Reinforcing the competitiveness of the UAE industry
- Clarifying the rules of trade with India
- Creating tools to offset any harmful effects to UAE industry from a sudden surge of imports
- Establishing an effective and efficient dispute settlement system
- Enabling access to India's government procurement market

**Sector impact for UAE goods to India:** Some examples of sectors anticipated to be most positively impacted for UAE goods include prepared food, chemicals, pharmaceutical products, plastics and articles (including paper and paperboard, carpets and rugs, certain steel articles), glass and glassware, certain electrical and mechanical products, mineral fuels, aluminium, iron and steel, polyethylene, and copper.<sup>102</sup>

**Results so far:** Although it is early days still, according to a statement by Sunjay Sudhir, India's ambassador to the UAE in January 2023, the first eight months since CEPA's implementation saw bilateral trade rise by 30%, putting both countries on track to achieve \$88 billion in trade in the fiscal year,<sup>103</sup> and it is anticipated that the \$100 billion target will be reached by 2030.<sup>104</sup>

**\$100 billion**

Target for bilateral goods trade by 2027

**\$15 billion**

Target for bilateral services trade by 2027

**88**

Number of days taken to negotiate and conclude CEPA

**11**

Number of sectors covered by CEPA

Source: Deloitte<sup>105</sup>

## Overall opportunity: \$51 billion export potential for corporates from key MENAT countries into India

### Export potential:

ITC data indicates an export potential of \$51 billion from key MENAT countries into India. Some of the MENAT exporters with especially high export potential to India include the UAE (\$36 billion) and Saudi Arabia (\$7.8 billion). The table below maps ITC's estimations of these key MENAT countries' export potential up to 2027 to India, with the data indicating good prospects for MENAT corporates and investors to expand into India:

# \$51 BILLION

Export potential of 5 key MENAT countries to India

Market	Exporter	Export potential to India (\$ million)
India	UAE	36,000
	Saudi Arabia	7,800
	Qatar	3,100
	Türkiye	3,000
	Egypt	1,500
	<b>Total</b>	<b>51,400</b>

Source: ITC Export Potential Map (as of Nov 2023)<sup>106</sup>

## Key sector investment opportunities for corporates from key MENAT countries into India

More specifically, data from ITC on sectors with the greatest untapped export potential highlight the most promising sector opportunities for corporates from key MENAT countries up to 2027. Broadly, the most sizeable sectoral export gaps for these MENAT-based corporates, i.e. areas where these MENAT countries can export much more than they do now, are chemicals, plastics & rubber, fertilisers, and various types of metals.

### > To India

Top Sectors		Export Gap (\$ M)
<b>From Egypt</b>		
1	Precious metals	270
2	Fertilisers	171
3	Plastics & rubber	131
<b>From Qatar</b>		
1	Fertilisers	1,200
2	Chemicals	198
3	Plastics & rubber	91
<b>From Saudi Arabia</b>		
1	Chemicals	1,600
2	Plastics & rubber	1,500
3	Fertilisers	674
<b>From Türkiye</b>		
1	Machinery, electricity	318
2	Ferrous metals	188
3	Plastics & rubber	168
<b>From UAE</b>		
1	Pearls & (semi-)precious stone	11,000
2	Precious metals	3,800
3	Jewellery & precious metal articles	942

Source: ITC Export Potential Map – as of November 2023



## Other sector investment opportunities: India's digital economy

### India's digital economy is booming:

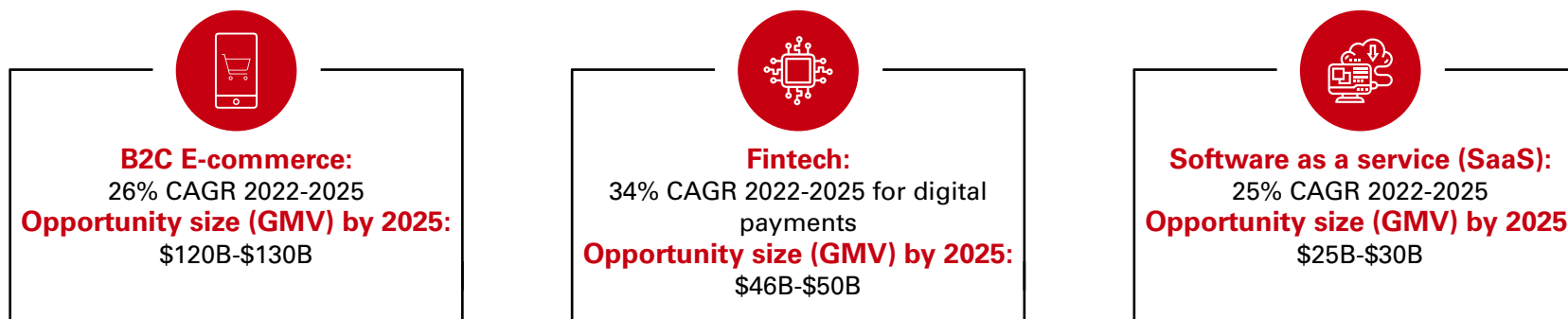
India's digital economy presents multiple opportunities for MENAT corporates and investors to avail, including software as a service (SaaS), Fintech (especially digital payments, lending, investments and insurtech), and e-commerce (both B2B and B2C), edtech and healthtech.<sup>107</sup> India's digital economy is forecast to go from a 0.5% share of the country's GDP in 2010, and 4-5% share in 2022, to a 12-13% share by 2030, underlining its critical importance to India's growth story over the coming decade.<sup>108</sup>

A 2023 report from Bain & Company, along with Google and Temasek, analysed some of the latest sector trends for India's digital economy:<sup>109</sup>

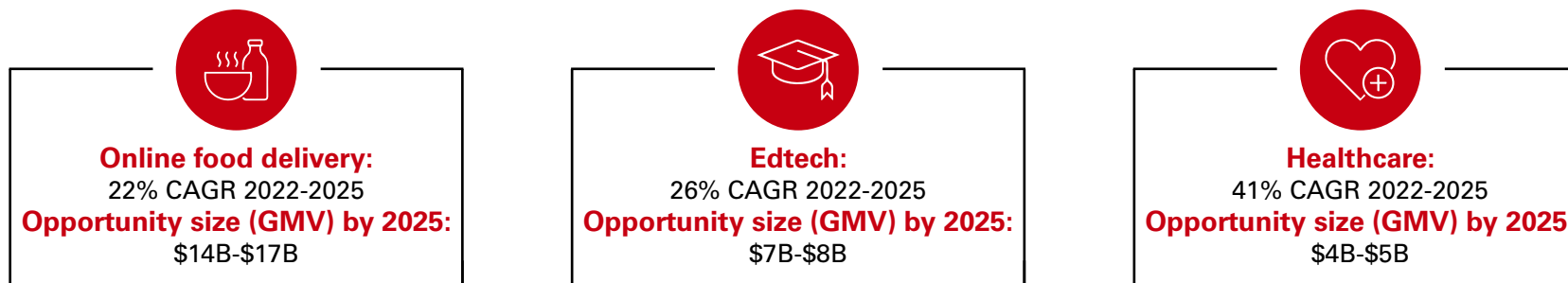
India's Digital Economy	
Leading Sectors	Nascent Sectors
B2C E-Commerce: Big-ticket items, groceries Fintech: Digital payments, lending, investments Software as a service (SaaS)	Online food delivery Edtech Healthtech

Source: Bain & Company, Google, Temasek<sup>110</sup>

### India's digital economy's growth – key figures for leading sectors



### Current sector trends in India's digital economy – key figures for select nascent sectors



## Key Tier-1 cities and states are driving India's growth – but Tier-2 cities should be considered as well by MENAT corporates

### India's cities are driving the country's growth:

Projections by Oxford Economics, highlighted by the World Economic Forum, predict that the top 10 fastest-growing cities in the world over the period 2019-2035 will be in India, with year-on-year annual growth rates of between 8-9% over that period for these 10 cities.<sup>111</sup> Among India's cities, Tier-1 cities (5 million population or more) are key drivers of India's economic growth: just six of these eight cities contributed 28% of India's GDP in 2022. These cities are highlighted in the table below – Mumbai, Delhi, Bangalore, Chennai, Hyderabad, and Ahmedabad (the remaining Tier-1 cities are Kolkata and Pune).

### India's key Tier-1 cities in brief

City	Description	GDP contribution to India (\$ billion)	Key sectors
Mumbai	The financial capital	310	Financial services Entertainment
Delhi	The political capital	293.6	IT and professional services Trade and commerce
Bangalore	India's tech hub	110	Technology Education
Chennai	India's manufacturing hub	78.6	Manufacturing and industry Growing IT and BPO sector
Hyderabad	A pharmaceutical and IT hub	75.2	Pharmaceuticals IT (Software development)
Ahmedabad	A commercial hub	68	Textiles Chemicals Machinery manufacturing

Sources: City Monitor,<sup>112</sup> HSBC Analysis



### **Tier-2 cities hold much potential, too:**

At the same time, India's 79 Tier-2 cities are also fast-growing. Typically defined as cities with populations of 0.5 million - 5 million, Tier-2 cities have several advantages that make them attractive propositions for MENAT corporates and investors, such as lower labour costs and affordable real estate.<sup>113</sup> Some examples of these Tier-2 cities include Chandigarh, Coimbatore, Kochi, Trivandrum, Mysuru, Visakhapatnam, Nagpur, and Jaipur. MENAT corporates considering lower operational costs in India, niches for specific industrial activities, or shifting manufacturing away from Tier-1 cities should consider setting up ancillary operations in Tier-2 cities. There are also other advantages to Tier-2 cities, such as access to talent and lower attrition rates, a favourable business environment with local duty incentives and tax exemptions, and infrastructure advantages too.<sup>114</sup>

### **A few key states are driving India's growth:**

As the table on the next page illustrates, based on official Indian government data shown in the Reserve Bank of India's Handbook of Statistics on Indian States 2022-23,<sup>115</sup> a handful of states are contributing the bulk of India's gross value added (GVA). In fact, seven key states which contain all 8 Tier-1 cities account for 54% of total gross state value added (GSVA) across India across the six sectors of agriculture, manufacturing, construction, industry, banking and insurance, and services. Moreover, within each major sector, there is a high concentration of the same set of states and key tier-1 cities driving growth: Maharashtra state (Mumbai and Pune), Tamil Nadu state (Chennai), Gujarat state (Ahmedabad), Karnataka state (Bangalore), West Bengal state (Kolkata), Telangana state (Hyderabad), and New Delhi state (Delhi).



## Gross State Value Added (GSVA) by sector, 2021-22

Gross State Value Added (GSVA), 2021-22 (Units: INR Billions)

State/Union Territory	Key Tier-1 cities	Total GSVA (across all 6 sectors)	Agriculture	Manufacturing	Construction	Industry	Banking and Insurance	Service
<b>Overall totals for India</b>		<b>264,172</b>	<b>25,209</b>	<b>35,017</b>	<b>17,254</b>	<b>63,107</b>	<b>11,853</b>	<b>111,731</b>
Maharashtra	Mumbai, Pune	35,361	2,376	4,473	1,768	7,589	2,810	16,344
Tamil Nadu	Chennai	24,878	1,159	3,782	2,278	6,489	1,028	10,142
Gujarat	Ahmedabad	24,279	1,759	6,311	1,017	8,405	870	5,917
Karnataka	Bangalore	21,331	1,827	2,475	945	3,869	836	11,380
West Bengal	Kolkata	15,194	1,590	1,731	1,036	3,114	582	7,140
Telangana	Hyderabad	11,578	870	1,247	467	2,146	516	6,332
New Delhi	Delhi	9,815	9	370	409	1,179	1,126	6,722
<b>7 key states' collective share of national GSVA</b>	-	<b>54%</b>	<b>38%</b>	<b>58%</b>	<b>46%</b>	<b>52%</b>	<b>66%</b>	<b>57%</b>

Source: National Statistics Office, Ministry of Statistics and Programme Implementation, Government of India  
(NB 2021-22 data used as 2022-23 dataset missing several values)

# CONCLUSION

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The India-MENAT Corridor presents numerous opportunities for investors and corporates.

There are growth opportunities in new sectors, especially in the MENAT economies that are actively diversifying. Across the MENAT region, food security, as well as electric vehicles, renewable and green energy are big-ticket items, while in India attention is on the booming digital economy and vast retail landscape.

Indian corporates and investors have long and deep historical trade linkages with the MENAT region, but they must now navigate a raft of new market, legal and economic reforms especially in the GCC countries. New investors will do well to leverage the extensive Indian diaspora in the MENAT region that have played a vital role in deepening ties in the areas of capital, talent, and technology.

For MENAT corporates and investors, understanding India's expansive physical landscape can help them narrow down their investment opportunities. As this report has shown, a handful of states in India contribute to a sizable proportion of its gross value added especially in services, industry, and manufacturing. These Tier-1 and Tier-2 cities should be considered by MENAT corporates.

As free trade agreements and bilateral agreements ramp up between India and MENAT countries, global supply chains are being reshaped, and trade policies for the green transition are adapted, now is the time for corporates and investors along the India-MENAT Corridor to explore the latent potential for further collaboration.







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