2. India-Oman Free Trade Pact-International Relational

The Union Cabinet has approved the proposed Free Trade Agreement between India and Oman

Background and Context

The approval of the Comprehensive Economic Partnership Agreement (CEPA) with Oman comes immediately ahead of the Prime Minister's three-nation West Asia–Africa tour covering Jordan, Ethiopia, and Oman, underscoring its strategic and diplomatic significance. The agreement has received approval from the lower house of Oman's Parliament, indicating strong domestic political consensus within Oman for deepening economic ties with India.

The Prime Minister's visit to Oman marks his second official visit and coincides with the 70th anniversary of India–Oman diplomatic relations, lending symbolic and historical weight to the CEPA. The agreement reflects India's broader West Asia strategy that prioritises economic diplomacy, energy security, maritime access, and defence partnerships.

Free Trade Agreement (FTA) and CEPA Framework

Negotiations for the India–Oman CEPA formally commenced in 2023, reflecting accelerated engagement amid global supply chain realignments. A Free Trade Agreement (FTA) is a legally binding arrangement were

1. Customs duties are significantly reduced or eliminated on a substantial share of traded goods.
2. Non-tariff barriers are streamlined through regulatory cooperation.
3. Market access is for trade in services.
4. Investment flows are facilitated through improved investor protection and dispute resolution mechanisms.

CEPA represents a deeper and more comprehensive framework than a conventional FTA, covering

1. Trade in goods
2. Trade in services
3. Investment
4. Intellectual property
5. Government procurement
6. Standards, technical barriers, and customs facilitation

India already has a similar CEPA with United Arab Emirates, operational since 2022, which has demonstrated tangible gains in bilateral trade and investment flows.

Major Highlights of the India–Oman CEPA

Trade in Goods- India will receive preferential market access for nearly 98% of its export products to Oman. This is significant because

1. Oman's import duties currently range from 0% to as high as 100%, along with specific (non-ad valorem) duties on select products.

2. Duty elimination improves price competitiveness of Indian exports such as Engineering goods Chemicals and petrochemicals Textiles and garments Food and agricultural products Pharmaceuticals Indian MSMEs are expected to benefit disproportionately due to lower entry barriers and reduced landed costs.

Trade in Services- India gains enhanced access in key services sectors including

1. Information technology and IT-enabled services
2. Professional services
3. Healthcare and medical services
4. Education and skill-based services

This complements India's comparative advantage as a services-led economy.

Investment Facilitation- CEPA provides a stable and predictable investment environment by

1. Improving investment protection norms

2. Enhancing transparency in regulatory processes
3. Encouraging joint ventures and cross-border capital flows

The agreement aligns with India's objectives of

1. Export diversification
2. Integration into global value chains
3. Reducing over-dependence on limited markets

India–Oman Bilateral Relations- A Multi-Dimensional Partnership

Diplomatic and Political Relations- Diplomatic relations were formally established in 1955, making Oman one of India's oldest partners in the Gulf. Relations were elevated to a Strategic Partnership in 2008, reflecting convergence on political, security, and regional stability issues. Oman has traditionally pursued an independent and balanced foreign policy, making it a reliable interlocutor for India in the Gulf.

Trade and Economic Relations- Oman is India's 30th largest trading partner in FY 2023–24. Total bilateral trade stood at US$ 8.947 billion. India ranks among Oman's top trading partners. Oman is India's third-largest export destination among GCC countries, after UAE and Saudi Arabia. India is the 4th largest market for Oman's crude oil exports in 2023, following South Korea, highlighting Oman's role in India's energy basket.

Investment Linkages- Over 6,000 India–Oman joint ventures are operational in Oman. These ventures account for an estimated US$ 7.5 billion in cumulative capital investment. Oman's cumulative FDI equity inflows into India (2000–2025) amount to US$ 605.57 million, indicating steady but under-tapped investment potential.

CEPA is expected to

1. Encourage sovereign wealth fund participation
2. Promote infrastructure, renewable energy, logistics, and manufacturing investments

Defence and Security Cooperation- India and Oman maintain robust defence ties across all three services. Regular biennial bilateral military exercises include

1. Army Exercise- Al Najah
2. Air Force Exercise- Eastern Bridge
3. Naval Exercise- Naseem Al Bahr

These exercises enhance

1. Interoperability
2. Maritime domain awareness
3. Counter-terrorism and HADR (Humanitarian Assistance and Disaster Relief) cooperation

Oman's strategic trust with India is deeper than many Gulf partners, particularly in the defence domain.

Maritime and Strategic Significance

Oman is located at the gateway of the Strait of Hormuz, a critical maritime chokepoint through which nearly one-fifth of India's crude oil imports pass. In 2018, India signed a pact granting access to the Duqm Port. Strategic importance of Duqm Port

1. Located on Oman's southeastern coast overlooking the Arabian Sea and the Indian Ocean.
2. Offers India a maritime foothold outside the Persian Gulf.
3. Reduces dependence on congested or geopolitically sensitive ports.
4. Located close to Chabahar Port, enabling synergy with India's connectivity initiatives to Central Asia and Afghanistan.

Duqm enhances India's

1. Blue-water naval reach
2. Energy security

3. Indo-Pacific maritime strategy

About the Gulf Cooperation Council (GCC)

The Gulf Cooperation Council is a political and economic alliance comprising

1. Saudi Arabia
2. Kuwait
3. United Arab Emirates
4. Qatar
5. Bahrain
6. Oman

Established in 1981 to promote regional stability and cooperation.

Objectives include

1. Economic integration
2. Policy coordination
3. Collective security

The presidency of the GCC rotates annually among member states. India's engagement with individual GCC members through CEPAs is seen as a stepping stone toward a broader India–GCC trade architecture.

Way Forward and Strategic Assessment

India–Gulf relations are increasingly driven by realpolitik and mutual strategic interests rather than ideological alignments. Key future drivers of cooperation include

1. Defence industrial collaboration
2. Technology transfers and co-development
3. Renewable energy and green hydrogen
4. Logistics, ports, and maritime infrastructure

CEPA with Oman strengthens India's position as a credible economic and security partner in West Asia. The convergence of political, economic, technological, and military-security interests creates a strong foundation for

1. Deepened India–GCC engagement
2. Enhanced regional stability
3. Greater resilience against global economic and geopolitical shocks

Source- https-//ddnews.gov.in/en/cabinet-approves-india-oman-free-trade-pact-ahead-of-pm-modis-visit/