

India-Oman Comprehensive Economic Partnership Agreement (CEPA)

Mains: *GS II - Bilateral Relations*

Why in News?

Recently India and Oman signed the Comprehensive Economic Partnership Agreement (CEPA) on 18 December 2025, marking a major milestone in India's economic diplomacy with the Gulf region.

What is the background of India-Oman relations?

- **Legacy** - India and Oman share civilisational, maritime and people-to-people ties going back over two centuries.
- **Diaspora** - Nearly 7 lakh Indians reside in Oman.
- Indian merchant families have been present in Oman for 200-300 years.
- **Indian investment** - Over 6,000 Indian companies operate in Oman.
- **Remittances** - Annual remittances of around USD 2 billion flow from Oman to India.
- **Trade** - Bilateral trade currently stands at over USD 10 billion.
- **Strategic importance of Oman** - Oman also holds strategic importance for India as:
 - A gateway to the Middle East and Africa
 - A partner in maritime security in the Indian Ocean
 - One of the most politically stable Gulf countries

What are the key features of the India-Oman CEPA?

- **Unprecedented Market Access for Indian Goods** - One of the most significant outcomes of the CEPA is the near-complete tariff elimination by Oman.
 - Zero-duty access on 98.08% of Oman's tariff lines
 - Covers 99.38% of India's exports by value
 - Immediate tariff elimination on nearly 98% of tariff lines
- This provides Indian exporters with clear price competitiveness in the Omani market.
- **Boost to Labour-Intensive Manufacturing Sectors** - The agreement directly benefits India's employment-generating sectors, including:
 - Textiles and garments
 - Leather and footwear
 - Gems and jewellery
 - Engineering goods
 - Plastics and furniture

- Agricultural and food products
- Pharmaceuticals and medical devices
- Automobiles
- These sectors are critical for:
 - MSMEs
 - Women-led enterprises
 - Artisans
 - Export-oriented clusters
 - Thus, the CEPA supports inclusive growth, employment creation, and export diversification.
- **Balanced Tariff Liberalisation by India** - India has offered tariff concessions on:
 - 77.79% of its tariff lines
 - Covering 94.81% of imports from Oman by value
 - However, India has carefully protected sensitive sectors by:
 - Keeping key agricultural products (dairy, tea, coffee, rubber, tobacco) in the exclusion list
 - Excluding gold and silver bullion, jewellery
 - Protecting labour-intensive domestic sectors like footwear and sports goods
 - For some sensitive Omani exports, India has used Tariff Rate Quotas (TRQs) instead of full liberalisation, ensuring policy space and domestic protection.

What are the major breakthroughs of services sector?

- **First-of-Its-Kind Services Commitments by Oman** - Oman has offered ambitious services commitments in 127 sub-sectors, which is unprecedented.
- Key sectors include:
 - Computer and IT services
 - Business and professional services
 - Research and Development
 - Audio-visual services
 - Education services
 - Health services
- This is crucial because:
 - Oman imports USD 12.52 billion worth of services globally
 - India's current share is only 5.31%, showing huge untapped potential
- **Enhanced Mobility for Indian Professionals (Mode 4)** - A major highlight of the CEPA is the liberal mobility framework, especially under Mode 4 of services trade.
- For the first time, Oman has provided:
 - Commitments for Intra-Corporate Transferees
 - Increase in ICT quota from 20% to 50%
 - Extension of stay for Contractual Service Suppliers from 90 days to 2 years, extendable further
- Liberalised entry and stay are provided for professionals in:
 - Accountancy and taxation
 - Architecture
 - Medical and allied sectors
 - This supports India's strength as a *global supplier of skilled manpower*.

- **100% FDI for Indian Companies in Services (Mode 3)** - The agreement allows 100% Foreign Direct Investment by Indian companies in major services sectors in Oman through commercial presence.
- This will:
 - Enable Indian firms to set up operations in Oman
 - Strengthen regional value chains
 - Use Oman as a base to access *Africa and West Asia*

What are the landmark commitments on traditional medicine and pharma?

- **Traditional Medicine (AYUSH)** - Oman has made the first-ever comprehensive commitment on Traditional Medicine across all modes of supply.
- Significance:
 - Opens Gulf markets for AYUSH and wellness sectors
 - Promotes medical value travel
 - Strengthens cooperation in traditional healthcare systems
- **Pharmaceuticals and Medical Devices** - The CEPA provides, Fast-tracking of marketing authorisation for drugs approved by USFDA, EMA, UKMHRA
- Acceptance of GMP inspection documents
 - This reduces time cost, regulatory uncertainty
 - It boosts India's image as the "*Pharmacy of the Global South.*"
- **Addressing Non-Tariff Barriers and Standards** - The agreement also addresses long-standing non-tariff barriers through:
 - Mutual recognition arrangements for Halal certification
 - Acceptance of India's NPOP certification for organic products
 - Enhanced cooperation on standards, conformity assessment and technical regulations
 - This ensures real market access, not just tariff concessions.

What are the strategic and geopolitical significance?

- **Strengthens India's Gulf Strategy** - CEPA deepens economic engagement with a politically stable Gulf partner.
- **Diversification of Trade Partners** - Reduces over-dependence on a few markets and strengthens resilience.
- **Supports India's Global Value Chain Integration** - Particularly in services, pharma, manufacturing and logistics.
- **People-centric Economic Diplomacy** - Benefits Indian workers, professionals, MSMEs and diaspora.
- **Oman's First FTA Since 2006** - Reflects high trust and strategic alignment with India.

What lies ahead?

- The India-Oman CEPA is not just a trade agreement but a strategic economic partnership that aligns with India's goals of export growth, employment generation, services leadership, and skilled mobility.
- By combining market access, services liberalisation, investment opportunities, and

people-to-people ties, the agreement sets a new benchmark for India's engagement with the Gulf region.

- If effectively implemented, the CEPA has the potential to transform India-Oman relations from transactional trade to long-term economic integration, contributing meaningfully to India's vision of becoming a global economic power with inclusive growth.

Reference

1. [The Hindu| India - Oman CEPA](#)
2. [PIB| India - Oman Trade Agreement](#)

