

Last month, the commerce department announced that the text of the proposed trade agreement between India and Oman had been “substantially concluded”, indicating that both countries might be able to finalise and sign a comprehensive economic partnership agreement (CEPA) over the next few weeks.

CEPA is also commonly referred to as a free trade agreement, or FTA. The next round of talks for it with Oman are scheduled to start on January 16.

Three rounds of talks have taken place so far, even as the formal commencement of the negotiations happened less than two months ago – on November 20. The negotiations on the text of most of the chapters have been concluded by India and Oman, though discussions on goods and part of services remain.

This came at a time when officials from the commerce department -- responsible for negotiating free trade agreements -- were till now burning the midnight oil, hoping for a breakthrough in the FTA talks with the United Kingdom (UK) and European Free Trade Association (EFTA).

The India-Oman CEPA could substantially reduce the customs duties, even bring them down to zero in some instances, for trade between the two countries. India exports gasoline, iron and steel, electronics, and machinery to Oman, and imports petroleum products, urea, propylene, and ethylene polymers. Besides, Oman has a per capita income of \$25,060, far more than India’s \$2,370, and could emerge as a sizeable market for more expensive exports from India.

There is more. Oman, of course, is understood to be keen on the pact. India, for its part, wants to improve its relations with the Persian Gulf nations.

Oman has also been India’s strategic partner, with their mutual trade links going back 5,000 years. It is India’s 29th largest trading partner, but the third largest export destination among the six-member Gulf Cooperation Council (GCC) countries, whose other members are Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.

The GCC countries contribute to about a sixth of India’s total trade, with the UAE being India’s third largest trade partner and second largest export destination. The trade balance, however, is in favour of the GCC, owing to India’s high dependence on the region for petroleum products.

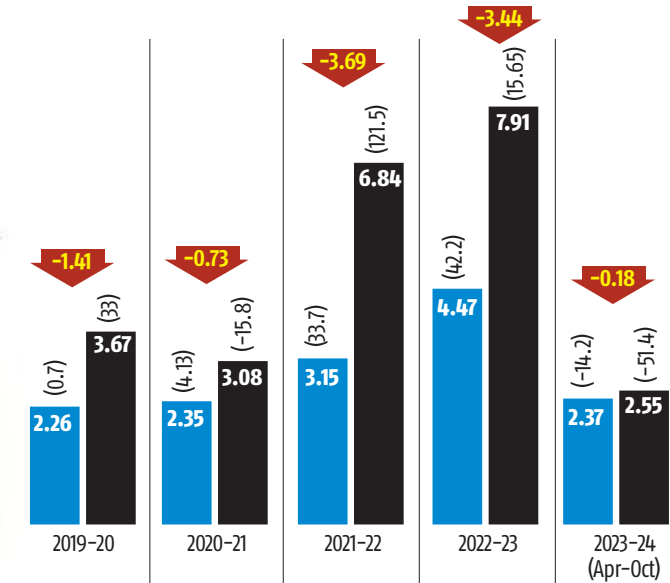
India has already signed a CEPA with



INDIA-OMAN TRADE

(in \$ bn)

■ Exports ■ Imports ▼ Trade Balance
Figures in brackets denote Y-o-Y change in %



Source: Department of Commerce

BRIDGING THE GULF

The likely pact with Oman comes as a welcome surprise in India’s FTA drive, and could open other doors in the Gulf region

the UAE and been trying to begin FTA negotiations with the customs union for more than a year. After signing FTAs with the UAE and Australia, India has not been able to ink any other trade agreement, even as the commerce department had set an internal target to conclude negotiations for Canada, the UK and EFTA by the end of 2023. Talks with Canada were stalled due to political differences.

India is also gearing up to hold its mammoth Lok Sabha elections this summer.

POTENTIAL GAINS

Biswajit Dhar, distinguished professor at the Council for Social Development, says finalisation of a trade pact with Oman will not be as tricky and complex as the current FTA negotiations with the European Union and the UK. “In the case of Oman, there won’t be any problem in terms of domestic sensitivity.

There is hardly any item sold by Oman [at a concessional duty] that can threaten Indian industry. In fact, there is always a possibility of India getting some instrumental market access [for its exporters] in Oman,” he says.

Bilateral trade has been showing robust growth, increasing from \$3.15 billion in 2021-22 (FY22) to \$4.48 billion during FY23, up 42 per cent. During the previous financial year, petroleum products, primarily motor gasoline, accounted for close to half of India’s exports.

Imports from Oman are greater than exports, and saw a 15.6 per cent increase to \$7.91 billion in FY23. Top inbound shipments include petroleum products and Urea that comprise close to three-fourth of imports.

Ajay Sahai, director-general and chief executive officer, Federation of Indian Export Organisations, says Oman and India have complementarities, just as

India and the UAE do. “We will have better market access for our finished products. Lot of petrochemicals, chemicals, and crude oil from Oman will enter India at a lower duty. We will get raw material and intermediates at zero duty and get market access for all finished products such as engineering, chemicals, plastics, textiles. It is a win-win situation,” Sahai says.

However, since the West Asian nation is a much smaller country than India, growth in trade between the two is expected to be limited.

According to Delhi-based think tank Global Trade Research Initiative, India’s gross domestic product of \$3.5 trillion is significantly larger than Oman’s \$115 billion. “This indicates that India’s economy is far more extensive and diverse. With a population of 1.4 billion, compared to Oman’s 5 million, India represents a vast consumer market for Oman,” it said in a report.

STATUS OF INDIA-OMAN TRADE AGREEMENT:

- Formal commencement of meeting on **November 20**
- First round of negotiations in New Delhi on **November 27-29**
- Second round of negotiations in Muscat from **December 9-11**
- Third round of negotiations in New Delhi from **January 8-10**
- The negotiations on text of most of the chapters have been concluded by both the sides

The India-UAE agreement is expected to be replicated in the case of the trade pact with Oman, which is making it easier for the two sides to negotiate.

EYE ON THE GCC

Experts say it is not only the economic

dimension that is driving the talks; the countries in the Gulf region, and the GCC, are also factors. India has been doing the balancing act in the backdrop of the Israel-Hamas conflict.

“Look at the way India has been handling the Ukraine-Russia conflict. We have been backing Russia to some extent and also making friends with the Western alliance. That is playing out here as well. A quick way to show friendship with the Arab countries is to pick up one of the low-hanging fruits,” says an economist who does not want to be named.

Last month, a Parliamentary committee on external affairs said trade between India and the GCC countries had been dominated by the UAE and Saudi Arabia, and there was scope for enhancement in India’s trade and investment with the other GCC countries, including Oman. The committee also said the process of negotiation and finalisation of the FTA between India and GCC had been delayed for a long time.

“In view of the prospects of substantial increase in trade between India and GCC countries as well as India’s integration into the global value chain through the signing of the FTA, we urge the government to maintain close coordination with the GCC Secretariat so that formal negotiations on the India-GCC FTA commence soon for its early conclusion,” the committee said in a report.