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EDITORIAL ANALYSIS

# India's Hub-and-Spoke FTA Strategy: The Bilateral CEPA Route to Gulf Trade

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# India's Hub-and-Spoke FTA Strategy: The Bilateral CEPA Route to Gulf Trade

 Business Standard

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## INTERVIEW ANGLE

*"India has signed bilateral CEPAs with UAE (2022) and Oman (2026) while the India-GCC bloc FTA (under negotiation since 2004) remains stalled -- is the bilateral route the right long-term strategy?"*

## EDITORIAL SUMMARY:

Business Standard argues that India's decision to pursue bilateral CEPAs with individual Gulf Cooperation Council (GCC) members – UAE (2022) and now Oman (June 2026) – represents a pragmatic “hub-and-spoke” FTA strategy that delivers market access faster than the stalled GCC-bloc FTA, but warns that this approach creates regulatory fragmentation and risks trade diversion through the most favourable bilateral partner. The editorial calls for India to use these bilaterals as stepping stones toward a comprehensive India-GCC deal.

## THE STRATEGIC CONTEXT

India has been attempting an India-GCC Free Trade Agreement since **2004** – over two decades of stalled negotiations. The reasons for repeated failure include:

- **GCC's collective bargaining stance:** GCC insists on a single common external tariff; India must negotiate with the bloc, not individual members
- **India's sensitive sectors:** Petrochemicals, aluminium, and steel (major GCC exports) face high Indian tariffs; India's farm products face GCC concerns on food security
- **Services asymmetry:** India wants more professional mobility; GCC wants more goods access
- **India-Pakistan tension within GCC:** Saudi Arabia and UAE have competing geopolitical priorities

The bilateral CEPA route has bypassed the bloc deadlock:

- **India-UAE CEPA (May 2022):** First India-GCC bilateral CEPA; bilateral trade now targeting USD 100 billion by 2030
- **India-Oman CEPA (June 2026):** Second India-GCC bilateral; Oman's unique position as a Hormuz gatekeeper and Iran mediator adds strategic value

## THE HUB-AND-SPOKE MODEL – PROS AND CONS

### Advantages

- 1 **Speed:** Bilateral CEPAs can be concluded faster; UAE deal concluded in record 88 days
- 2 **Tailoring:** Each CEPA is customised to the bilateral relationship – UAE emphasises gold/gems, finance, real estate; Oman emphasises petrochemicals, fisheries, professional services
- 3 **Diplomatic signalling:** CEPA operationalisation doubles as a strategic partnership signal (as the ADNOC-ISPRL deal alongside CEPA demonstrates)
- 4 **Precedent-setting:** Each bilateral creates a template that can anchor the bloc-level negotiation eventually

### Disadvantages

- 1 **Regulatory fragmentation:** Indian exporters must comply with UAE's rules-of-origin under one CEPA and Oman's (different) rules under another – increasing compliance costs
- 2 **Trade diversion:** Goods may enter India through whichever GCC member has the most favourable CEPA rather than the most natural trading partner
- 3 **Most-Favoured-Nation (MFN) complications:** If UAE CEPA gives 0% tariff but Oman CEPA gives 5%, GCC members without CEPA may invoke WTO MFN obligations
- 4 **Delayed bloc deal:** Success with bilaterals reduces urgency for a comprehensive GCC deal

## INDIA-OMAN CEPA – TRADE IMPACT ASSESSMENT

SECTOR	INDIAN EXPORT OPPORTUNITY	CONCERN
Pharmaceuticals	Oman to eliminate tariffs; Indian generics face little competition	Regulatory approval timelines in Oman
Textiles	0% tariff; competitive with Bangladesh and China	Yarn-forward rules of origin may restrict
Marine products	Seafood access to Oman’s premium market	Compliance with Oman’s veterinary standards
Engineering goods	Machinery, auto components	Price competition with China remains
Professionals	Intra-corporate transferee ceiling doubled to 50%	Recognition of professional qualifications; visa processing delays

## THE BROADER FTA PICTURE – INDIA’S TRADE STRATEGY

India’s FTA posture has historically been cautious (fear of import surges after ASEAN-India FTA); post-2020 it has become more assertive:

PHASE	APPROACH
Pre-2014	Multiple FTAs (ASEAN, Japan, South Korea) with mixed results; concerns about ASEAN import surge
2014-2020	Defensive posture; withdrew from RCEP (November 2019)
2021-2026	Bilateral CEPA surge: UAE, Australia ECTA, EFTA TEPA, Oman; ongoing: UK, EU, Canada, GCC

The editorial commends the post-2020 shift but notes that **RCEP withdrawal** was a strategic error – India is now outside a bloc covering 30 per cent of global GDP, making it harder to integrate into Asian supply chains.

## OMAN AS A STRATEGIC WEDGE

Beyond trade, the editorial highlights Oman’s unique strategic value:

- **Musandam Peninsula:** Controls the southern entrance to the Strait of Hormuz – geopolitically unique
- **Iran mediator:** Oman has historically served as the back-channel for US-Iran negotiations (JCPOA); Oman’s sultan maintains good relations with Tehran

- **India's CEPA with Oman** strengthens bilateral ties at a moment when Iran-related tensions threaten Hormuz passage – Oman's benign influence in the strait benefits India's energy corridor

## UPSC MAINS ANALYSIS

### GS Paper 2 – International Relations

- India's FTA and CEPA strategy; GCC relations; bilateral vs **multilateral** trade diplomacy
- Regional trade agreements; WTO MFN principle

### GS Paper 3 – Economy

- Trade policy; rules of origin; impact of CEPAs on Indian exports
- India's trade balance; export competitiveness in Gulf markets

**Keywords:** CEPA, GCC, hub-and-spoke FTA, India-UAE CEPA, India-Oman CEPA, RCEP, MFN principle, rules of origin, trade diversion, Oman Musandam Peninsula, Strait of Hormuz.

*Business Standard's argument is essentially about sequencing: bilateral CEPAs with UAE and Oman are better than nothing, and significantly better than 20 more years of failed GCC-bloc negotiations. But India must use these bilaterals as building blocks – harmonising rules of origin, aligning professional recognition norms, and developing a common architecture that can eventually be lifted into a bloc-level deal. Otherwise, India risks ending up with a patchwork of bilateral agreements that is administratively burdensome and strategically sub-optimal compared to a single comprehensive India-GCC CEPA.*

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