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India-Oman CEPA Operational from June 1, 2026: India's Second GCC Free Trade Agreement

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WHY IN NEWS

Commerce Minister **Piyush Goyal** confirmed on **May 14, 2026** that the **India-Oman Comprehensive Economic Partnership Agreement (CEPA)**, signed in December 2025, will come into force from **June 1, 2026** following Oman's ratification via Royal Decree. The agreement is India's **second CEPA with a GCC nation** (after UAE, May 2022) and gives India **duty-free access covering 98.08 per cent of Oman's tariff lines**, accounting for **99.38 per cent of India's trade value** with Oman.

INDIA-OMAN TRADE – PROFILE

INDICATOR	VALUE
Bilateral trade (FY 2024-25)	USD 10.61 billion
Bilateral trade (FY 2023-24)	USD 8.94 billion
India's exports to Oman	Machinery, textiles, pharmaceuticals, food products, electronics
India's imports from Oman	Crude oil, LPG, fertilisers, polymers, metals
Indian diaspora in Oman	~8 lakh (largest expat community in Oman)

WHAT THE CEPA COVERS

Goods

- India secures **100 per cent duty elimination** on exports: textiles, engineering goods, pharmaceuticals, marine products, fruits and vegetables, processed food
- Oman's tariff elimination covers **98.08 per cent** of tariff lines; 99.38 per cent of India's export value
- Most eliminations effective from **June 1, 2026** (day 1); phased reductions over 5-10 years for sensitive categories

Services

- Intra-corporate transferee ceiling raised from **20 per cent to 50 per cent** for Indian professionals working in Oman-based companies
- First India CEPA to formally recognise Indian professionals in: **engineering, medicine, IT, education, and consulting**
- Mutual recognition agreements (MRAs) for professional qualifications under negotiation

Investment

- Bilateral Investment Protection provisions; dispute resolution mechanism
- Encourages Omani sovereign wealth (Oman Investment Authority – OIA) to invest in India’s infrastructure, renewables, and manufacturing

INDIA’S FTA LANDSCAPE – COMPARATIVE TABLE

AGREEMENT	PARTNER	IN FORCE SINCE
India-ASEAN FTA	10 ASEAN nations	2010
India-South Korea CEPA	South Korea	2010
India-Japan CEPA	Japan	2011
India-Singapore CECA	Singapore	2005
India-Mauritius CECTA	Mauritius	2021
India-UAE CEPA	UAE	In force since May 2022
India-Australia ECTA	Australia	In force since December 2022
India-EFTA TEPA	Iceland, Liechtenstein, Norway, Switzerland	October 2025
India-Oman CEPA	Oman	June 1, 2026

OMAN – STRATEGIC AND ECONOMIC PROFILE

FEATURE	DETAIL
Location	Southeastern Arabian Peninsula; borders UAE, Saudi Arabia, Yemen
Strategic position	Controls the Musandam Peninsula – flanks the Strait of Hormuz
Membership	GCC (Gulf Cooperation Council); Arab League ; OIC
OPEC membership	Not a member (independent oil producer)
Currency	Omani Rial (OMR) – one of world’s highest-valued currencies
GDP (2024)	~USD 110 billion
Government	Absolute monarchy : Sultan Haitham bin Tariq (since January 2020)
Sovereign wealth	Oman Investment Authority (OIA)

Why Oman Matters for India

- ❶ **Energy security:** Oman is a significant oil and LPG supplier; not subject to OPEC production quotas
- ❷ **Strait of Hormuz:** Musandam Peninsula overlooks the strait – Oman has historically played the role of a neutral mediator in Gulf tensions
- ❸ **Iran-mediation:** Oman has served as back-channel between Iran and the US/West – strategic relevance during West Asia tensions
- ❹ **Indian diaspora:** ~8 lakh Indians work in Oman; remittances form a significant income channel

INDIA-GCC FTA – BIGGER PICTURE

India-GCC (as a bloc) FTA negotiations have been ongoing since **2004** – repeatedly stalled. The bilateral CEPAs with UAE (2022) and Oman (2026) represent a **hub-and-spoke approach** as an alternative to waiting for the bloc-level deal.

GCC members: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE.

India has bilateral CEPAs with **UAE** (2022) and **Oman** (2026). FTA negotiations with GCC as a bloc and with individual members (Bahrain, Qatar, Saudi Arabia, Kuwait) are at various stages.

UPSC RELEVANCE

GS Paper 2 – International Relations

- India-Oman bilateral; India-GCC relations
- FTA as a diplomatic tool; hub-and-spoke FTA strategy
- Strategic significance of Oman and the Strait of Hormuz

GS Paper 3 – Economy

- India's trade policy; CEPAs and their impact on exports
- Services trade under CEPAs; professional recognition
- Energy security and trade linkages

Mains Angles

- 1 India's FTA strategy has shifted from bloc-level negotiations to bilateral CEPAs with GCC nations. Evaluate this approach using the UAE and Oman agreements as case studies.
 - 2 Oman's strategic location at the Strait of Hormuz makes it an important partner for India beyond trade. Discuss.
 - 3 The services chapter of the India-Oman CEPA recognises Indian professionals in key sectors. Examine its significance for India's services export ambitions.
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First India-GCC CEPA; signed in February 2022; in force since May 2022; bilateral trade target USD 100 billion by 2030.

Signed in December 2025; in force since June 2026; 98.08% tariff-line duty elimination; 2nd India-GCC CEPA.

Gulf Cooperation Council; established **1981 (Abu Dhabi Charter)**; members: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE; Secretariat in Riyadh.

Haitham bin Tariq Al Said; ascended in January 2020 following death of Sultan Qaboos bin Said (who ruled 1970-2020).

Omani exclave overlooking the Strait of Hormuz; strategically crucial for oil transit monitoring.

Chokepoint connecting Persian Gulf to Gulf of Oman; approximately **20-21 million barrels/day** of oil pass through (about 20% of global consumption); 2-km wide navigable channel.

CEPA (Comprehensive Economic Partnership Agreement) covers goods + services + investment; FTA typically covers goods only; CECA (Comprehensive Economic Cooperation Agreement) is similar in scope to CEPA.

Oman's sovereign wealth fund; AUM ~USD 44 billion; successor to the State General Reserve Fund (SGRF) and Oman Investment Fund (OIF).

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