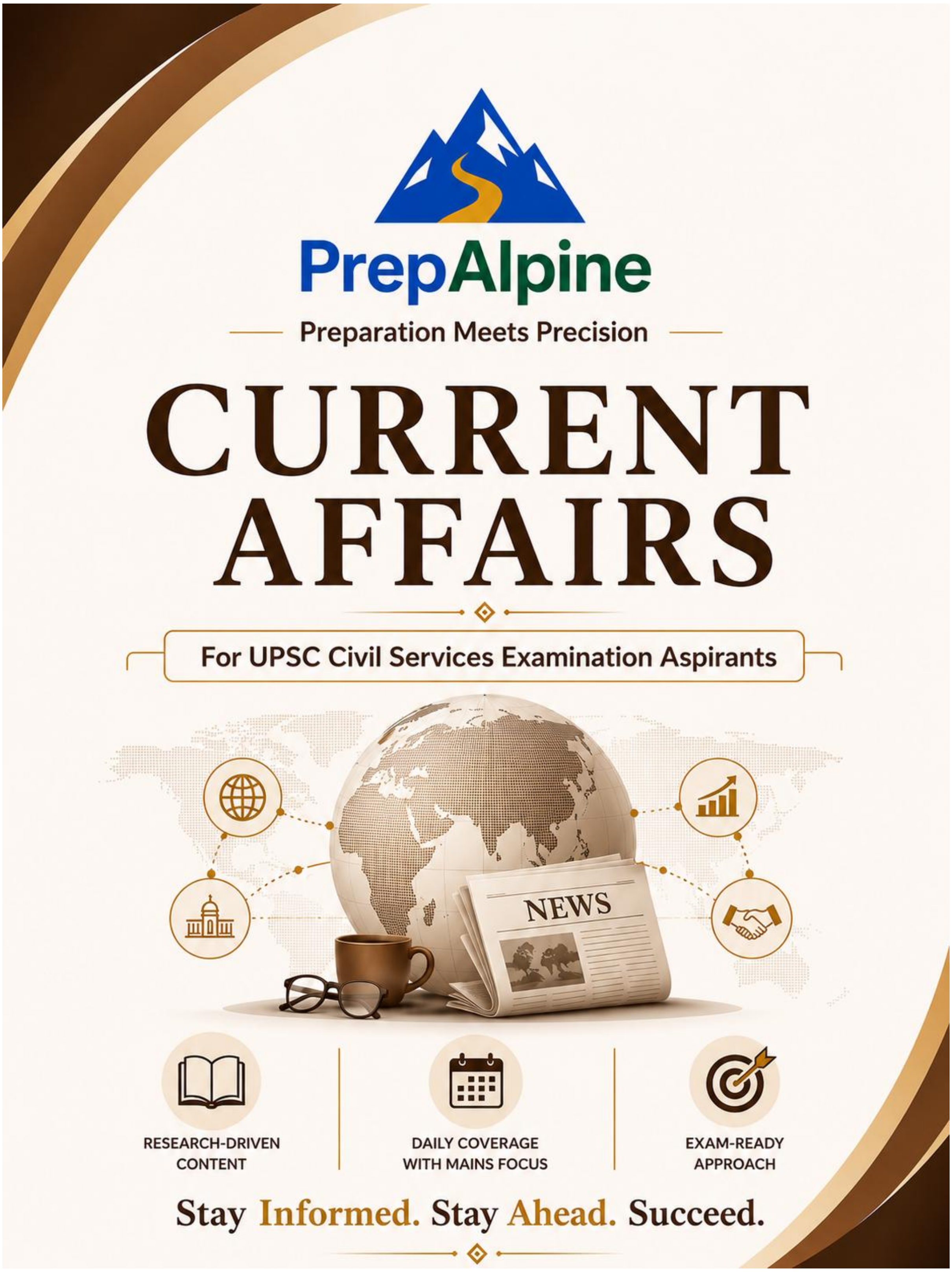
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GS Paper II: International Relations

1. India–Oman Comprehensive Economic Partnership Agreement (CEPA)

a. Introduction

The India–Oman Comprehensive Economic Partnership Agreement (CEPA) came into force on 1 June 2026, creating a comprehensive framework to strengthen bilateral trade, investment, services and economic cooperation between the two countries. The agreement marks another important milestone in India's strategy of deepening economic engagement with the Gulf region and strengthening its economic diplomacy in West Asia.

The CEPA builds upon the long-standing strategic relationship between India and Oman, which has evolved from historical maritime interactions into a modern economic and strategic partnership.

b. Background Context

India and Oman have shared centuries-old maritime, commercial and cultural links across the Arabian Sea. Owing to its strategic location at the entrance of the Persian Gulf, Oman occupies an important position in India's engagement with West Asia and the Indian Ocean Region.

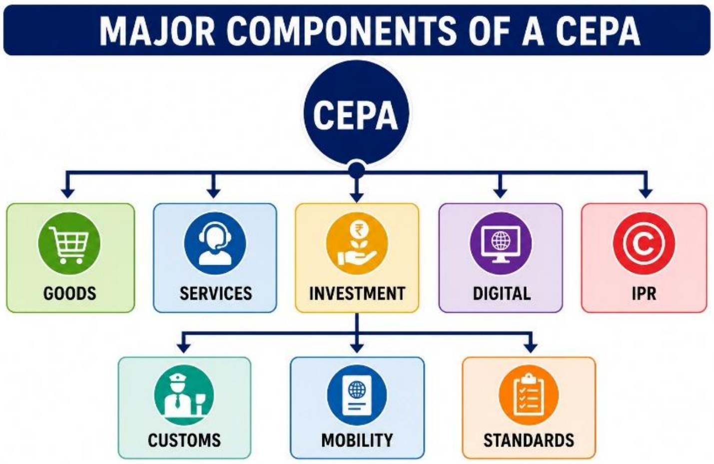
The country serves as a gateway to West Asia, East Africa and major global shipping routes, making it an important partner for trade, investment, logistics and energy cooperation.

Reflecting the growing strength of bilateral economic ties, India–Oman merchandise trade increased from approximately US$8.94 billion in 2023–24 to about US$11.18 billion in 2025–26. The CEPA seeks to build upon this momentum by creating a more predictable and comprehensive framework for long-term economic cooperation.

To appreciate the significance of the agreement, it is important to understand how a Comprehensive Economic Partnership Agreement differs from a conventional Free Trade Agreement.

c. What is a Comprehensive Economic Partnership Agreement (CEPA)?

A Comprehensive Economic Partnership Agreement (CEPA) is an advanced form of a Free Trade Agreement (FTA) that extends beyond trade in goods to encompass a much wider spectrum of economic cooperation.



In addition to reducing or eliminating tariffs, a CEPA generally covers:

- Trade in services.
- Investment.
- Digital trade.
- Intellectual property rights.
- Customs cooperation.
- Standards and conformity assessment.
- Government procurement.
- Mobility of professionals.
- Other areas of economic and technological collaboration.

The objective is to establish a deeper and more comprehensive economic partnership that facilitates trade, promotes investment and strengthens long-term economic integration between participating countries.

The India–Oman CEPA incorporates several such provisions designed to deepen bilateral economic engagement across multiple sectors.

d. Key Features of the India–Oman CEPA

- **Trade Liberalisation:** The agreement seeks to expand bilateral trade in goods and services by improving market access and reducing tariff as well as non-tariff barriers.
- **Investment Promotion:** It aims to facilitate bilateral investment flows by creating a more predictable, transparent and business-friendly environment for investors from both countries.
- **Mobility of Professionals:** The agreement promotes the movement of skilled professionals, enabling service providers to access greater employment and business opportunities in each other's markets.
- **Cooperation in Emerging Sectors:** The CEPA encourages collaboration in logistics, digital trade, MSMEs, innovation and emerging technologies, thereby broadening the scope of bilateral economic cooperation beyond traditional merchandise trade.

These provisions are expected to generate significant economic and strategic benefits for both countries, particularly in the context of India's expanding engagement with West Asia.

e. Significance

- **Expands Export Opportunities:** The agreement is expected to improve market access for Indian exports, particularly textiles, engineering goods, pharmaceuticals, food products, gems and jewellery and chemicals, thereby strengthening India's export competitiveness.
- **Boosts Services Trade:** Indian service providers are likely to benefit from greater opportunities in sectors such as information technology, healthcare, education, financial services and other professional services, where India enjoys a comparative advantage.
- **Strengthens India's West Asia Strategy:** The agreement deepens India's economic engagement with the Gulf region, complements the Act West Policy and reinforces economic diplomacy as a key pillar of India's foreign policy.
- **Enhances Global Value Chain Integration:** Greater investment cooperation is expected to promote industrial collaboration, improve India's integration into regional and global value chains and strengthen Oman's role as a strategic gateway connecting Indian businesses with markets in West Asia, East Africa and beyond.
- **Supports Energy and Supply Chain Security:** The CEPA complements India's broader objectives of energy security, supply chain diversification and resilient trade partnerships, thereby enhancing long-term economic resilience.

f. Challenges

- **Compliance Requirements:** The benefits of the agreement will depend upon the ability of Indian exporters to comply with rules of origin, technical regulations, sanitary and phytosanitary (SPS) standards and quality certification requirements.
- **Uneven Sectoral Gains:** Trade gains may not be distributed evenly across industries, as export competitiveness varies significantly between sectors.
- **Regional Geopolitical Risks:** Geopolitical uncertainties in West Asia could affect trade flows, investment, shipping routes and regional supply chains.
- **Limited Awareness among MSMEs:** The effective utilisation of the agreement will require greater awareness among micro, small and medium enterprises (MSMEs), many of which may lack adequate information regarding preferential tariff benefits, export procedures and regulatory compliance.

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Maximising the benefits of the CEPA will therefore require complementary domestic reforms alongside sustained bilateral cooperation.

g. Way Forward

- **Strengthen Export Facilitation:** India should strengthen export facilitation and capacity-building programmes to enable businesses, particularly MSMEs, to fully utilise the opportunities created by the agreement.
- **Improve Trade Infrastructure:** Further improvements in logistics infrastructure, customs cooperation, digital trade systems and trade facilitation measures will reduce transaction costs and improve export competitiveness.
- **Promote Strategic Investments:** Both countries should encourage greater investment in sectors such as renewable energy, petrochemicals, ports, logistics, food processing and advanced manufacturing, while expanding cooperation in emerging areas including green hydrogen, the digital economy, financial technology and innovation.
- **Deepen Global Value Chain Integration:** The agreement should be leveraged to diversify India's export markets, deepen integration into global value chains and strengthen long-term economic resilience.
- **Strengthen the Strategic Partnership:** Economic cooperation under the CEPA should be complemented by greater collaboration in maritime security, energy cooperation, connectivity and people-to-people exchanges to build a comprehensive India–Oman strategic partnership.

Conclusion

The India–Oman CEPA represents a significant step in deepening bilateral economic integration and strengthening India's strategic engagement with West Asia. Its long-term success will depend on effective implementation, greater utilisation by businesses, and sustained cooperation in trade, investment, connectivity and emerging sectors, enabling both countries to build a resilient and mutually beneficial economic partnership.

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