


FTA with Oman Likely: Catapulting Gulf-India Synergies

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13 April 2024



The India-Oman CEPA will give a significant boost to bilateral trade between both countries. It will help Oman achieve its objective of reducing its dependence upon oil. The Gulf nation, which is strategically located near the oil transit point of the Strait of Hormuz, is especially important for Indian businesses — since they can set up manufacturing facilities and leverage Oman's location and other advantages for exports to other West Asian nations and Europe.

India has concluded talks about a Free Trade Agreement (FTA) – referred to as the Comprehensive Economic Partnership Agreement (CEPA) – with Oman. The FTA will be formalised once a new government takes over — after India's upcoming general election (results of the polls be declared on June 4, 2024). Oman would be the second Gulf country, after UAE, with which India would have signed an FTA (the FTA with UAE was implemented in May 2022). In 2022-2023, bilateral trade between Oman and India was estimated at \$12.39 billion. Oman is India's third-largest trade partner in the Gulf

The Gulf country has strong historical linkages with India, especially through maritime trade, and is home to a significant Indian expat population, like other Gulf countries. The Indian population in Oman accounts for 20% of the total population.

FTA: A boost to bilateral relations

The India-Oman CEPA will give a significant boost to bilateral trade between both countries. Currently, duties to the tune of 5% are imposed on over 80% of Indian exports to Oman — including gasoline, iron and steel, electronics, and machinery. India's imports from Oman include – Petroleum, Fertilisers, LNG. Oman's demand for reduction of duties on two petroleum products —polypropylene and polyethylene – which it exports to India and are used in the plastics industry was resisted both by some private and public players in India. The argument put forward was that these products already receive subsidies from the Oman government for raw materials for producing these products.

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The FTA, between Oman and India, is likely to give a boost not just to bilateral trade between both countries, but also to increase two-way investments. Currently, there are over 6000 India-Oman joint ventures in Oman (with an estimated investment of over \$7 billion). It would be important to mention here that Indian companies have emerged as leading investors in Oman – especially in the Sohar and Salalah Free Zones.

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The Gulf nation, which is strategically located near the oil transit point of the Strait of Hormuz, is especially important for Indian businesses — since they can set up manufacturing facilities and leverage Oman's location and other advantages for exports to other West Asian nations and Europe. Several Indian companies have already made plans whereby they can leverage the geographical location as well as low energy costs in Oman.

An Oman-India Joint Investment Fund, a 50:50 joint venture between the State Bank of India and Oman Investment Authority, also exists. The fund is currently valued at \$300 million.

India has also been seeking greater access to professionals for Oman (like doctors and engineers). In recent years, Gulf nations like UAE and Saudi Arabia have also been trying to attract workers – including skilled professionals – from India.

For Oman, the FTA with India is important because it will help it achieve its objective of reducing its dependence upon oil (several other Gulf nations like UAE and Saudi Arabia have been seeking to reduce their dependence upon oil). In 2023, Oman launched a fund – referred to as “Future Fund Oman” – for the diversification of its economy. This fund, valued at \$5.2 billion seeks to encourage private-sector investment with a specific focus on small and medium enterprises.

India-Oman strategic cooperation

It is not just economic linkages, but cooperation in the strategic sphere which have witnessed a rise. Oman was invited to the G20 Summit held in New Delhi in 2023. Sayyid Asaad bin Tarik Al Said, Deputy Prime Minister for International Relations and Cooperation Affairs and Personal Representative of His Majesty The Sultan represented the Sultanate of Oman.

The Sultan of Oman, His Majesty Sultan Haitham Bin Tarik also visited India in December 2023. While the joint statement, issued during his visit, made mention of several aspects of the bilateral relationship there was a strong reference to economic linkages between both countries and the FTA. Said the statement: *“The agreement has the potential to catapult this partnership and achieve a higher growth trajectory that would align with the immense potential of this historically close bilateral relationship”*.

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The Gulf nation, which follows an independent foreign policy, has taken an important stance on global issues. Indirect talks between the US and Iran were held in Oman in January 2024. In the aftermath of Israel’s attack on the Iranian consulate in Damascus, the Iranian Foreign Minister, Hossein Amirabdollahian visited Oman. Oman’s foreign minister Sayyid Badr al-Busaidi called for the de-escalation of tensions, saying, *“Oman supports efforts to reduce escalation in the region, address various issues and conflicts, and for the voice of wisdom to prevail”*.

Conclusion

In conclusion, the formalisation of the FTA between Oman and India would be important for more than one reason. First, it would give a boost to the bilateral economic relationship between Oman and India and help in diversifying it. Second, it will open new avenues for Indian businesses in Oman. Third, it reiterates the increasing deepening of ties, and growing synergies in several spheres, between India and the Gulf region.

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