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RESEARCH & CONSULTANCY

INDIA – OMAN CEPA DEAL

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Contents

India – Oman Comprehensive Economic Partnership Agreement (CEPA)

❖ Executive summary

- India and Oman signed a **Comprehensive Economic Partnership Agreement (CEPA)** on **18 December 2025**, delivering unprecedented market access for Indian goods into Oman and improved access for Omani products into India.

- **Key market access:** Oman offers **zero-duty access on ~98.08% of its tariff lines**, covering **~99.4% of India's exports to Oman by value**; India will liberalize **~77–78% of its tariff lines** while protecting sensitive agricultural and select items.

- **Trade uplift potential:** recent bilateral trade of ~**US$10bn** could rise materially; early government and industry estimates project **an incremental US$2–3bn in exports over 2–3 years** driven by labor-intensive sectors **(gems & jewelry, textiles, leather, engineering, pharmaceuticals).**

- **Services & investment:** the agreement includes services, investment facilitation and movement of professionals — creating entry routes into Oman's services market, recent size quoted ~**US$12.5bn** and positioning Oman as a logistics gateway to the Gulf Cooperation Council (GCC) and East Africa.

- **Strategic logic:** CEPA strengthens India's West Asia engagement, supports export diversification in the face of tariff shifts in major markets, and enhances energy-logistics ties given Oman's location near the Strait of Hormuz.

- **Implementation timeline:** Governments expect operational rollout within months (targeting early 2026 calendar quarter after legal/administrative steps), but supply-side constraints, rules of origin (RoO) compliance and non-tariff measures (NTMs) will determine near-term gains.

❖ Business / Agreement Overview

What is the CEPA?

A bilateral Comprehensive Economic Partnership Agreement comprising chapters on trade in goods, rules of origin, sanitary & phytosanitary (SPS) measures, technical barriers to trade (TBT), trade facilitation, services, investment, intellectual property, government procurement, dispute settlement and cooperation mechanisms.

Headline market access terms

- **Oman → India:** Oman grants **zero-duty access on ~98.08% of tariff lines**, covering ~99.4% of India's exports to Oman by value. Sensitive Omani goods are handled via tariff rate quotas (TRQs) or exclusions.
- **India → Oman:** India offers liberalization on **~77–78% of tariff lines**, excluding sensitive agricultural products (e.g., some dairy, tea), and retains protection on certain items.
- **Services & Investment:** Extensive commitments to services access, with investment facilitation and measures to encourage FDI — helps Indian firms operate in Oman and use it as a regional hub.

Negotiation context: CEPA follows India's broader strategy to deepen preferential trade ties in West Asia and reduce export dependence on markets where tariff regimes have become disruptive. Oman views the pact as part of economic diversification and leveraging its logistics position

❖ Industry & Market Analysis

Total Addressable Market (TAM)

- **Oman import market (goods)**: Oman's total imports are broadly in the range of **US$30–40bn annually** (variable with oil cycles). Given CEPA coverage, India's addressable share expands across labor-intensive manufacturing, pharmaceuticals, and processed goods. (Official bilateral trade ~**US$10bn** in recent years — baseline).
- **Oman services market:** Estimates quoted in reportage place relevant tradable services at **~US$12.5bn** (logistics, construction, healthcare, education, maritime services). CEPA opens access for Indian professional services firms.

Serviceable Obtainable Market (SOM) – 3-year realistic capture

- **Conservative scenario: +6 - 8% CAGR** incremental growth in India → Oman exports as market share increases via tariff advantage and supply adjustments.
- **Ambitious scenario:** targeted sectors (gems & jewelry, textiles, pharma, auto components) could see **double-digit growth (15–30% YoY)** in the first 2–3 years for goods that face the biggest tariff disadvantage today. Government projection and industry commentary suggest **US$2bn incremental export uplift in 24–36 months** is plausible.

❖ Major Sectors Impacted by India–Oman CEPA

Sector	Impact on India	Impact on Oman	Estimated Economic Uplift*	Key Notes
Gems & Jewelry	Strong Positive	Moderate Positive	US$600–800M incremental Indian exports	Zero-duty access significantly improves Indian price competitiveness; high-value, low-volume shipments benefit immediately. Oman strengthens role as GCC jewelry trading hub.
Textiles & Apparel	Strong Positive	Positive	US$400–600M	Labor-intensive Indian MSMEs gain from tariff elimination; Oman benefits via cheaper imports and potential re-export to GCC/Africa.
Engineering Goods & Auto Components	Moderate to Strong Positive	Moderate Positive	US$300–500M	Duty-free access improves Indian competitiveness; Oman gains from infrastructure and industrial project sourcing at lower costs.

Pharmaceuticals & Medical Devices	Strong Positive	Strong Positive	US$250–400M	Indian generics and devices become more affordable; Oman benefits from reduced healthcare procurement costs and improved access.
Food Processing & Agri-based Products	Moderate Positive (Selective)	Moderate Positive	US$150–250M	India excluded sensitive agri items but processed foods benefit; Oman improves food security and price stability.
Chemicals & Plastics	Moderate Positive	Moderate Positive	US$200–300M	Indian chemical intermediates gain duty advantage; Oman downstream industries benefit from lower input costs.
Logistics & Maritime Services	Moderate Positive	Strong Positive	US$300–500M (services value)	Oman ports gain higher throughput; Indian logistics, shipping, and port operators gain service contracts and regional hub access.
Construction & Infrastructure Services	Moderate Positive	Strong Positive	US$250–400M	Indian EPC firms gain easier market entry; Oman accelerates Vision 2040 infrastructure projects.
IT & Professional Services	Moderate Positive	Moderate Positive	US$200–350M	CEPA facilitates movement of professionals; Oman benefits from cost-efficient digital and consulting services.
Energy & Petrochemicals	Neutral to Moderate	Strong Positive	Qualitative / Strategic	Trade volumes are already large; CEPA improves investment cooperation and long-term energy security rather than short-term trade spike.

❖ Financial Analysis (macro trade numbers & estimates)

Bilateral trade snapshot

Year	India → Oman exports	Oman → India imports	Total trade
2022–23	US$4.5bn	US$5.0bn	**US$9.5bn**
2023–24	US$5.2bn	US$5.5bn	**US$10.7bn**
2024–25 (pre-CEPA)	US$5.6bn	US$4.4bn	**US$10.0bn**

Scenario Estimates: India exports under CEPA (goods)

Scenario	Baseline exports (US$)	Incremental (2-3 yrs)	Exports after uplift (US$)	CAGR (3 yrs)
Conservative	5.6bn	+0.6bn	**6.2bn**	3.5%
Central (Govt/industry)	5.6bn	+2.0bn	**7.6bn**	**6.17%** (matches 1.2x total trade example)
Ambitious	5.6bn	+3.5bn	**9.1bn**	15.2%

❖ One-variable module: Sector focus — Labor-intensive manufacturing & gems & jewelry

Because CEPA's immediate winners are labor-intensive manufacturing and jewelry, we dive deep on this variable.

Why these sectors?

High share of Indian employment, export orientation, and sensitivity to even small tariff differentials (e.g., 5–20% duties previously made Indian products less competitive vs. other exporters). CEPA removes most of that tariff wedge for Oman.

Quick sector economics

- **Gems & jewelry:** High value per shipment, established Indian clusters (Surat, Mumbai), already exporting to GCC; zero duty improves price competitiveness enabling market share gains.
- **Textiles & apparel:** Oman's market size small relative to GCC but gateway role means CEPA can create routing advantages to neighboring markets (logistics hub). Labor-intensive producers can get faster margin recovery.
- **Pharmaceuticals & medical devices:** India already competitive on price/quality; CEPA reduces cost for hospitals and distributors in Oman — potentially faster procurement for healthcare projects

Operational constraints

- **Rules of Origin (RoO):** Critical — exporters must satisfy RoO to claim preferential duty. For thin-margin sectors, compliance costs and certification timelines are material.
- **Supply-side capacity:** Scaling output to fill newly created demand requires working capital, logistics upgrades, and compliance to Omani standards (SPS/TBT).
- **Logistics & shipping:** Use of Omani ports and transshipment rules could create new routing economics but require trade facilitation.

Policy recommendation (sectoral)

- Indian government should fast-track RoO guidance, provide working capital support via export credit schemes targeted at SMEs, and set up an Oman-India trade facilitation desk (single window) to accelerate customs/standards clearance.

❖ Key Risks

- **RoO non-compliance / certification delays** — reduces immediate take-up of tariff benefits.
- **Non-tariff barriers (SPS/TBT, standards)** could blunt tariff advantages in pharma and food.
- **Domestic political resistance** (India) — sensitive agricultural/producer groups may lobby for protection; political reversals could alter liberalization timelines.
- **Indonesia/GCC trade diversion & rules** — other exporters could respond with competitive offers to Omani buyers.
- **Implementation delays** — administrative steps (parliamentary procedures, legal notifications, IT systems) could delay operationalization beyond stated timelines.
- **Logistics bottlenecks** — limited capacity at specific ports, container shortages, or shipping schedule mismatches.
- **Over-optimistic capacity scaling** — exporters may overinvest expecting instant demand; mismatch yields stranded capacity.
- **Geopolitical shocks** (Strait of Hormuz, energy disruptions) — while Oman is strategically located, instability in the region raises cost/risk premia.

❖ Valuation commentary (economic & trade valuation — how to 'value' the CEPA)

For a trade/policy pact the "valuation" is an economic-impact exercise rather than discounted cash flows.

Methodology: quantify incremental exports, import substitution, services income, investment flows; translate to GDP & employment delta using elasticities and export multipliers.

Indicative valuation (conservative, 3-year horizon)

- **Incremental exports:** US$2.0bn (central scenario) → using an export multiplier of **1.4x** (includes backward & forward linkages), incremental nominal contribution to India's GDP ≈ **US$2.8bn** annually once scaled.

- **Services & FDI:** services access plus investment facilitation could add **US$0.5–1bn** in services exports/operations (logistics, IT, healthcare) over 3 years.
- **Employment impact:** labor-intensive sectors likely absorb 50–100k additional direct & indirect jobs in India (conservative estimate) if SMEs scale.

Sensitivity: If RoO or NTMs limit claims and only 30–40% of shipped volumes claim CEPA preferences in Year 1, the effective uplift could be <US$1bn. Conversely, rapid uptake and re-routing into East Africa could expand gains beyond US$3bn.

Implementation & operational roadmap (practical checklist)

Immediate (0–3 months)

- Publish consolidated CEPA text & tariff schedules; operationalize customs IT for preferential certificates.
- Launch sectoral stakeholder webinars (textiles, gems, pharma) and Oman-India single window.

Short term (3–12 months)

- Establish trade facilitation desk in Muscat and an export promotion cell in India; begin mutual recognition of standards where feasible.
- Provide export credit / working capital support targeted to SMEs for capacity scaling.

Medium term (12–36 months)

- Monitor trade data, revise NTMs, and implement joint working groups on services mobility and digital trade.
- Evaluate TRQs and sensitive list impacts; consider targeted safeguard mechanisms if necessary.

❖ Strategic implications (geopolitical & supply chain)

- **Gateway effect:** Oman's ports and logistics position make it a potential hub for India's access to GCC, East Africa and Central Asia — a strategic complement to India–UAE CEPA.
- **Energy & security:** Stronger economic ties underpin strategic energy and maritime cooperation in the Arabian Sea — relevant for energy security and naval logistics.
- **Trade diplomacy:** CEPA advances India's FTA network and gives bargaining leverage in future wider GCC or EU talks; it also serves as a hedge against tariff shocks in other large markets.

❖ Conclusion & outlook (actionable takeaways)

- **Short-term winners:** gems & jewelry, textiles, leather, pharmaceuticals, and some engineering goods. Exporters in these sectors should prepare RoO documentation and scale compliance processes.
- **Medium-term winners:** services firms (logistics, healthcare, education, IT), Indian contractors and port operators leveraging Oman as a hub.
- **Policy focus** expedite RoO guidance, set up joint certification centers, and target SME financing. Without administrative speed, tariff advantages will remain theoretical rather than real.

Outlook: If implemented efficiently, the CEPA could add **US$1.5–3.5bn** to Indian exports over 2–3 years and support structural commercial ties that outlast commodity price cycles. The precise magnitude hinges on RoO implementation, NTM resolution, and capacity scaling by exporters.

Standard disclaimer

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Address- Plot number- 65, 2nd Floor, Sector 12A,
Dwarka, New Delhi-110075
Contact no.- +91 98112 13275s