Strengthening Ties: Evolving Dynamics in India-Oman Bilateral Relations

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Strengthening Ties: Evolving Dynamics in India-Oman Bilateral Relations

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Executive Summary

The Sultanate of Oman is the second largest country geographically in the Gulf Cooperation Council (GCC). Oman, located on the southeastern coast of the Arabian Peninsula, has historically been reliant on oil and gas production as the primary driver of its economy. Overlooking the Strait of Hormuz, the entrance to the Gulf, the source of two-thirds of the world's oil exports, Oman sits on key east-west trade routes, ensuring easy access to markets in the Middle East, India, Southeast Asia, Africa and Europe. Dubbed the 'Switzerland of the Middle East', Oman provides a politically neutral voice in a region prone to diplomatic tensions.

Macroeconomic Background of Oman

Oman's economy performed strongly in 2022, with gross domestic product (GDP) growing by 4.3% in 2022, supported by the revival of the hydro and non-hydrocarbon sectors. Economic growth is, however, estimated to slow down to 1.2% in 2023 and then rebound to 2.7% in 2024, reflecting oil production cuts by OPEC+ and moderate growth in the non-hydrocarbon sector due to recovering but still subdued construction activity, a slowdown in global economic activity and tighter financial conditions. Inflation accelerated to an average of 2.8% in 2022, reflecting the recovery of domestic demand and rising global inflationary pressures. Average headline inflation is expected to ease to 1.1% in 2023, reflecting lower food inflation and a stronger US dollar. Buoyed by oil and non-oil exports, the current account in 2022 recorded its first surplus since 2014, at 6.4% of GDP, and is expected to remain in a comfortable surplus over the medium term as higher liquified natural gas exports could partially compensate for the decline in hydrocarbon prices. This is expected to help Oman to rebuild its foreign reserves, which stood at US$ 17.6 billion in 2022.

Merchandise Trade of Oman

Oman's foreign trade increased over the past decade from US$ 80.2 billion in 2012 to US$ 104.7 billion in 2022. Oman's exports expanded at an average annual growth rate (AAGR) of 5.3% from 2012 to 2022, as compared to AAGR of 4.4% witnessed by imports during the same period. High global oil prices and strong demand for energy resources have played a crucial role in maintaining a positive trade balance. Oman's trade surplus doubled in 2022 to a massive US$ 27.5 billion as compared to a surplus of US$ 13.6 billion in 2021.

Oman's exports have been heavily dependent on mineral fuels and oil (HS-27), which accounted for 70.4% of Oman's global exports in 2022. More than 65% of Oman's exports under HS-27 are of crude oil (HS-270900), followed by natural gas (a share of 17.4% in HS-27 exports) and light oils and preparations (17%), among others. Non-hydrocarbon exports have almost doubled from 2012 levels and represented over one-fourth of total exports in 2022. The major non-hydrocarbon export products were plastics and articles, with its share in Oman's global exports increasing from 1.3% in 2012 to 4.5% in 2022. Ores, slag and ash (3.4% share), fertilisers (3.2%) and iron and steel (2.8%) were the other major exported products in 2022.

UAE remains the major export destination of Oman, accounting for 4.8% of Oman's exports in 2022. Other major export destinations in 2022 were Saudi Arabia (3.6% of total exports), the US (3.4%), India (3.4%) and Qatar (1.5%), among others.

Mineral fuels (mainly refined petroleum) accounted for 24.2% of Oman's imports in 2022. Oman is also a major importer of machinery and mechanical appliances (mostly appliances for pipes and boiler shells and automatic data processing machines), though its share has moderated from 12.2% to 8% over 2012-2022. Similar is the case with transport vehicles mainly comprising motor cars, with its import share decreasing from 23% in 2012 to 7.7% in 2022. Other major import items include electrical machinery, organic chemicals, ores, slag and ash, iron and steel and articles of iron or steel, among others.

UAE remains the largest import source of Oman, accounting for 29% of Oman's imports in 2022, followed by Saudi Arabia which accounted for 12%. India was the 3rd largest import source for Oman, with the trade balance heavily in favour of Oman. Other major import sources of Oman in 2022 include China (7.5%), Qatar (6.2%), Japan (3.1%), Brazil (3%) and the US (2.7%), among others.

Services Trade of Oman

Oman's services trade has increased marginally from US$ 11.5 billion in 2012 to US$ 13.4 billion in 2022. Oman's services exports increased from US$ 2.7 billion in 2012 to US$ 2.8 billion in 2022. Total services imports increased from US$ 8.8 billion in 2012 to US$ 10.6 billion in 2022. Oman remains a net importer of services, with services deficit increasing from US$ 6.1 billion in 2012 to US$ 7.8 billion in 2022.

Among the commercial services exports, transport accounted for the largest share (35.9%) in 2021, mostly sea and air transport. This is followed by technical, trade-related and other business services (22.9%), travel (20.9%) and telecommunication services (13.4%). Under travel services, personal travel dominated Oman's services exports. UAE emerged as the largest services export destination for Oman in 2021, with 8.7% share in the total services exports of Oman, followed by the US (8.6%). Other major export destinations include China (8.3%), UK (5.8%), Saudi Arabia (5.2%), Germany (4.9%), Japan (4.4%) and India (4.4%).

Transport accounted for 44.7% of Oman's commercial services imports in 2021, with bulk of transport taking place through sea route. This is followed by technical, trade-related and other business services (15.2%), insurance and pension services (13.6%), travel (10.9%), telecommunications, computer and information services (5.8%) and construction (5.6%). Mirroring the export partners, the US and UAE emerged as the two largest services import partners for Oman in 2021, with 10.1% and 8.9% shares, respectively. Other major import sources in 2021 include UK (7.5%), India (6.3%), China (5.8%), Germany (4.3%), France (3.6%), Ireland (3.3%) and Japan (3.1%).

India - Oman Merchandise Trade Relations

Oman is India's third largest export destination in the GCC, accounting for 9.3% of India's total exports to the region in 2022. Indo-Oman trade increased by more than two-folds over the past decade to reach US$ 13.6 billion in 2022 from US$ 4.3 billion in 2012. India's exports to Oman, at US$ 4.7 billion, accounted for 1.0% of India's global exports in 2022. Imports from Oman have been relatively higher at US$ 8.9 billion in 2022, increasing from US$ 1.9 billion in 2012. India had a trade surplus with Oman of US$ 0.5 billion in 2012, which transformed into a deficit since 2017, reaching US$ 4.2 billion in 2022.

Petroleum products dominate India's exports to Oman in 2022, accounting for over 48% of India's exports to the country. In fact, India was the third largest source of mineral fuels and products for Oman, accounting for 16.1% of Oman's global imports of the same. India's basket of exports to Oman remains well-diversified comprising value added products like iron and steel, inorganic chemicals, machinery (both electrical and machinery) and organic chemicals, respectively.

Mineral fuel and oil (mostly crude oil and natural gas) remain the largest items imported by India from Oman, accounting for 62.5% in India's imports from Oman in 2022. Other major products imported by India from Oman include fertilisers which accounted for 14.3% of India's import from Oman in 2022, followed by ships, boats and floating structures, and plastics and its articles.

India's Services Trade with Oman

According to the OECD-WTO Balanced Trade in Services (BaTIS) dataset, trade in services between Oman and India has increased significantly from 2010 to 2021, during which India's services exports to Oman grew by 79%, while Omani services exports to India grew by 31.3%. While the share of India's services exports to Oman may be smaller in comparison to the GCC countries such as UAE, the substantial growth rate witnessed in the last decade is remarkable. India's services exports to Oman recorded US$ 439 million in 2021, increasing from US$ 245 million in 2010, underscoring India's burgeoning potential in the region. Among India's services exports to Oman, telecommunications, computer and information services accounted for the largest share (34.6%) in 2021, followed by transport (28.9%), other business services (25.3%) and travel (3.4%). Among India's services imports from Oman, which stood at US$ 102 million in 2021, transport services accounted for 45.1% share, followed by travel (20.6%), telecommunications, computer and information services (10.8%), and other business service (8.8%).

Effectively Applied Tariffs Imposed by India and Oman

In the current analysis, tariffs at 6-digit HS code on India's imports from Oman is taken into consideration, using TRAINS based WITS data for the year 2021. There are 47 tariff lines (at 6-digit HS code) which are duty free and amounted to total imports of US$ 894.4 million in 2021. There are 46 tariff lines under the 1%-5% effectively applied tariff rate, which corresponded to 2.5% of India's imports from Oman in 2021, amounting to US$ 147.1 million.

There are 487 tariff lines under 5%-10% band of AHS, which correspond to 23.8% of India's imports from Oman in 2021, amounting to US$ 1,385.3 million. Subsequently under the 10%-15% effectively applied tariff rate, there are 600 tariff lines, which correspond to 5.8% of the total imports in 2021, amounting to

US$ 338.1 million. The 15%-25% effectively applied tariff rate corresponds to marginal 0.2% of India's imports from Oman in 2021. 121 tariff lines face effectively applied tariff equal to or above 25%, with the total import share of only 0.6% in 2021. The WITS database has 47 tariff lines with undefined AHS, corresponding to 51.8% of India's imports from Oman in 2021. The largest imported commodity by India from Oman under the undefined tariff category is petroleum oils (HS-270900), with imports amounting to US$ 2.8 billion in 2021.

With respect to the effectively applied tariff imposed by Oman on Indian exports, there are 485 tariff lines (at 6-digit HS code), imports for which amounts to US$ 346.9 million in 2021, on which Oman imposes the effectively applied tariff of 0%. These products constitute 22.2% of Oman's imports from India in 2021. There are 76 tariff lines that have effectively applied tariff rate of 1%-4.9%, which amounted to total imports of US$ 9.6 million from India in 2021 and this correspond to meagre 0.6% of the total imports of Oman from India in 2021.

There are 3,780 tariff lines, with imports amounting to US$ 1.2 billion from India, under the 5% effectively applied tariff, which correspond to 76.9% of Oman's imports from India in 2021. Further, there are 32 tariff lines, with Oman's imports from India amounting to US$ 4.3 million, facing effectively applied tariff of greater than 5%. The WITS database has 7 tariff lines with undefined AHS, corresponding to 30.4% of Oman's imports from India in 2021.

India's Potential Trade Agreement with Oman

The study uses the Single Market Partial Equilibrium Simulation Tool under the WITS-SMART Simulations Framework to understand the trade effect of a trade agreement between India and Oman. This will disintegrate the impact of fall in the prices and the subsequent changes in the tariff revenue of both the countries due to tariff cuts on their imports.

Tariff Liberalisation by India on Imports from Oman

Trade Effect: A tariff liberalisation by India on its imports from Oman will result in a trade effect, which can be decomposed into trade creation and trade diversion. According to the SMART framework analysis, a linear tariff reduction of 92% by India on imports from Oman will lead to a total trade effect of US$ 809.6 million, implying that under preferential agreement, India's imports from Oman will increase by US$ 809.6 million. In the total trade effect, total trade creation constitutes US$ 679.1 million, which is the additional import due to fall in the price level subsequent to fall in the tariffs. Total trade diversion will be US$ 130.4 million, which is the increased imports from Oman away from other partners due to fall in the relative price levels post tariff liberalisation.

Revenue Effect: With tariff liberalization, the tariffs will go down, impacting the revenue from the tariff. The impact can be both positive and negative. Negative revenue (loss) is generated when the direct impact of fall in tariff revenue post signing of the preferential agreement is greater than the positive tariff revenue generated due to the positive trade effect (trade creation and trade diversion). Positive revenue is generated when the gain in tariff revenue due to positive tariff effect exceeds the loss in revenue due to tariff liberalization. In case of tariff liberalization by India on its imports from Oman, the overall change in the revenue will account for a loss of (-) US$ 114.6 million for India.

Tariff Liberalization by Oman on Imports from India

Trade Effect: According to the output generated by the SMART framework, a linear tariff cut of 97% by Oman on imports from India would result in a total trade effect of US$ 145.2 million, implying that under the preferential agreement, Oman's imports from India will increase by US$ 145.2 million. In the total trade effect, total trade creation would constitute US$ 91.1 million, which is the additional imports by Oman from India due to fall in price levels subsequent to fall in tariff levels. Total trade diversion will be of US$ 54.1 million, which is the increased imports from India away from the other partners due to fall in relative price levels post-tariff liberalization.

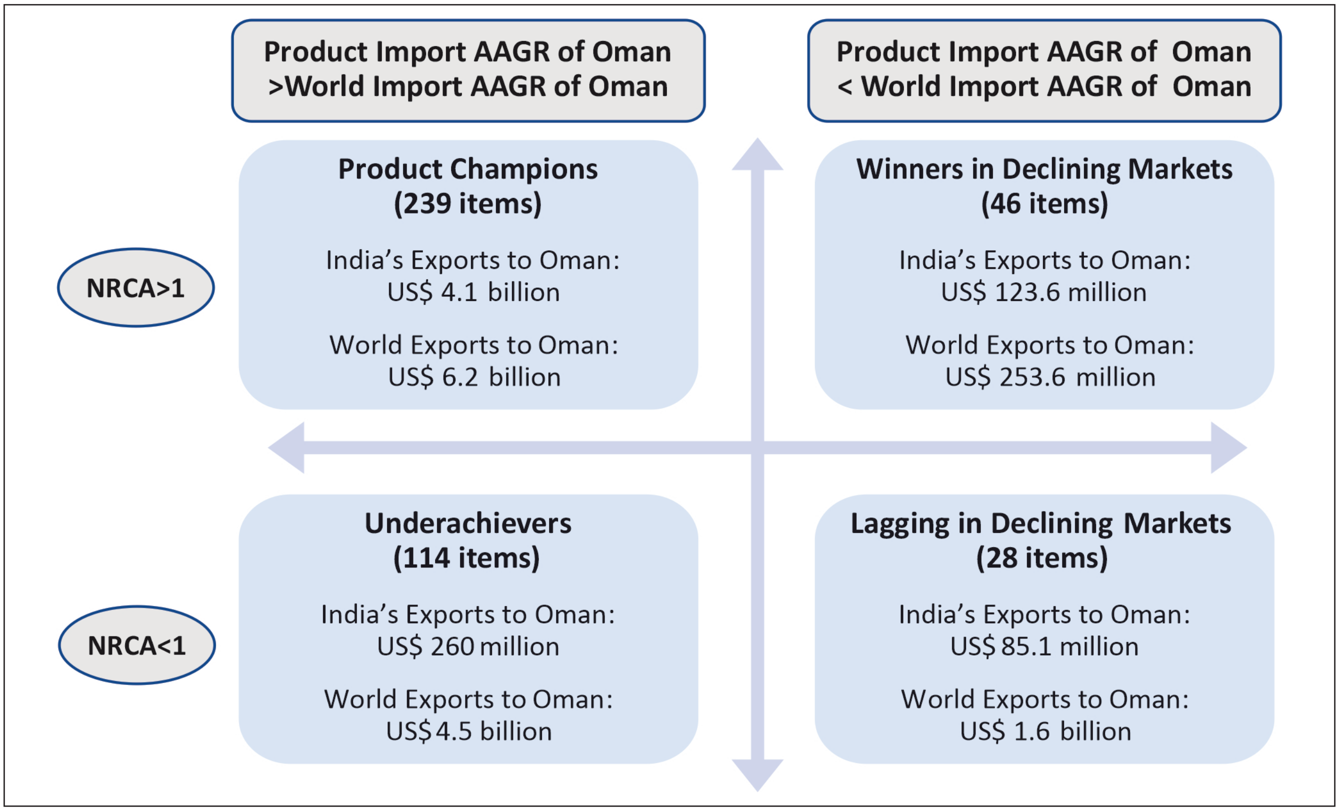
Revenue Effect: With tariff liberalization, the tariffs will go down, and hence, the revenue from the tariff will be impacted. The impact can be both positive and negative. In case of tariff liberalization by Oman on its imports from India, the overall change in the revenue will account for a loss of (-) US$ 59.9 million for Oman.

Revealed Comparative Advantage

To identify products based on their export competitiveness in Oman, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level, whilst calculating their normalized revealed comparative advantage (NRCA) and mapping them against the average annual growth rate (AAGR) of global imports of Oman for all products. The quadrants are drawn by comparing the overall AAGR of global imports of Oman for all products during 2011-2022 (which was 0.8%), to the NRCA of India's exports to Oman for these products during the same period. This exercise aims to identify those products where imports in Oman over the period 2011-2022 have performed better than the overall average of Oman's imports for all products during this period, implying that the share of such products in Oman's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US$ 0.5 million from India to Oman, 427 products have been identified, with total exports from India to Oman amounting to US$ 4.6 billion, while total global imports by Oman in the same products stood at US$ 12.6 billion in 2022.

Out of the 427 items at the HS 6-digit level, 239 items fell into the category of product champions. The combined exports of these items from India to Oman were US$ 4.1 billion in 2022, representing approximately 87.2% of India's exports to Oman in 2022. Major product champions include light and medium oils and preparations of petroleum, aluminium oxide and dredgers, among others. The total number of products in winners in declining markets category is 46, with India's exports amounting to US$ 123.6 million and constitute a share of 2.6% of India's exports to Oman in 2022. These are the product items in which India has attained a significant share in Oman's import basket, but Oman's import demand for these products has been falling in the last decade. This was followed by underachievers with 114 items of India's exports to Oman worth US$ 260 million. These products constitute 5.5% share in India's total exports to Oman in 2022.

Exhibit 1: Identification of Products with Export Potential from India to Oman (2022)



Source: ITC Trade Map and India Exim Bank Research

Foreign Direct Investment in Oman and Bilateral Investment with India

According to the United Nations Conference on Trade and Development (UNCTAD)'s World Investment Report 2023, FDI inflows to Oman reached US$ 3.7 billion in 2022, showing a slight decline from US$ 4.0 billion in 2021. Over the past decade, investment has quickened in Oman, stemming from the development of the Special Economic Zones and other radical regulatory amendments creating investor friendly environment. According to Financial Times' fDi Markets, during January 2013 to December 2022, Oman received a total envisaged investment of US$ 61.8 billion from 448 projects. The maximum investment in Oman were recorded from UAE, accounting for 32% of total capex invested in the country during January 2013 to December 2022. India was the second largest investor, with a share of 15.3%, followed by the US (10.6% of total investment), Canada (6.9%) and China (4.9%).

A total outward envisaged investment of US$ 6.2 billion was made by Oman in 89 projects resulting in 10,210 jobs across the globe from January 2013 to December 2022. Indonesia was the largest recipient of envisaged investment from Oman, with a capex investment of US$ 2.7 billion during 2013-2022.

According to Financial Times' fDi Markets, during January 2013 to December 2022, total capital investment of India in Oman stood at a cumulative amount of US$ 9.5 billion, through 63 projects and creating 13,404 jobs in the country. In terms of capital investments, the largest share has been in coal, oil and gas (46.6% of Indian investments to Oman), building materials (12.3%), chemicals (9.6%), business services (7.6%) and communications (5.3%).

On the other hand, Oman's investments in India have been marginal at US$ 198 million between January 2013 to December 2022. In terms of capital investments, three sectors in India have received investments from Oman, including business services (38% of Omani investments to India), followed by software and IT services (34%) and coal, oil & gas sector (28%).

Way Forward and Recommendations

As the only GCC member state outside the Straits of Hormuz, Oman offers assured Gulf access and shorter shipping times along major maritime routes. Its deep seawater ports and airports provide a gateway to Asian and African markets. By adopting a collaborative approach, India can further enhance its strategic interests in Oman, unlocking new markets and establishing valuable partnerships. Some of the policy catalysts that could help boost bilateral cooperation are briefly discussed below.

Promoting Medical Tourism

In recent years, India has emerged as a leading destination for medical tourism, attracting a growing number of international patients seeking high-quality, cost-effective healthcare. This trend is particularly evident among individuals from Oman, who increasingly prefer India for medical treatment. One of the key factors driving this trend is the affordability of medical treatments in India compared to many Western countries. Additionally, India's healthcare system emphasizes holistic and integrative approaches, offering alternative therapies like ayurveda and yoga alongside conventional treatments. Promoting these advantages can further enhance India's position as a preferred destination for Omani medical tourists, benefiting both countries economically.

Acknowledging the possibilities within medical tourism, the Omani and Indian governments can initiate measures to encourage cooperation in the healthcare domain. Memorandums of Understanding (MoUs) need to be endorsed, aiming to boost medical tourism and facilitate the sharing of medical knowledge between the two nations. These partnerships are likely to result in more efficient procedures for acquiring medical visas by simplifying the process for Omani patients seeking medical treatment in India. Partnerships, exchange programs and joint ventures can facilitate seamless healthcare services and promote cross-border medical tourism.

Collaboration in Green Hydrogen

Oman is at the forefront of promoting clean 'green' hydrogen as a sustainable fuel, despite being a current producer of fossil fuels. Oman has committed to achieving carbon neutrality by 2050, following the examples set by UAE and Saudi Arabia. The development of renewable energy and hydrogen presents a pathway for diversifying Oman's economy and energy sources. Oman's high solar radiation levels and substantial wind energy potential make it ideal for large-scale renewable energy projects.

Oman stands as one of the leading contenders for the production and export of renewable hydrogen due to decreasing global costs for photovoltaic, wind and electrolyzers. The cost of renewable hydrogen in Oman is expected to decrease significantly by 2030, potentially reaching as low as US$ 1.6 per kilogram. Oman is projected to become the sixth-largest global exporter of renewable hydrogen by 2030.

Establishing the necessary infrastructure for green hydrogen and ammonia production entails substantial investments and requires collaborative efforts involving numerous stakeholders. This presents an opportunity for India to increase hydrogen trade and invest in the sector. Collaboration between India and Oman in green hydrogen development presents promising opportunities. Joint initiatives can harness Oman's renewable resources and India's expertise in green hydrogen technologies. India's experience in research, development and implementation of green hydrogen technologies can contribute to Oman's efforts in achieving sustainable production.

Collaboration in Food & Agritech

India and Oman can collaborate in the food and fisheries sector through various avenues to promote mutual economic growth and development. The agricultural sector, recognized as the cornerstone of the Indian economy, constitutes about 16.5% of India's GDP. In the year 2022, there were approximately 450 agritech startups in India, marking a 25% annual rise.

The estimated worth of India's agritech sector opportunity is US$ 24 billion, yet its market penetration remains below 1%. The substantial gap between the potential and the realized value signifies a notable opportunity for numerous emerging agritech startups, along with prospects for the business development of existing startups. Oman faces challenges in crop cultivation due to its arid climate and the government is trying to implement various initiatives to promote agricultural development, including the use of modern farming techniques and technologies. Oman has also been working towards enhancing its food security by promoting domestic food production.

India through its significant and growing agritech can engage in technology transfer and training with Oman. Both countries can facilitate the exchange of agricultural technologies between the two countries and organize training programs for farmers to enhance their skills and knowledge. The partners can further collaborate on joint research projects in agriculture, focusing on sustainable practices and disease management while establishing partnerships between research institutions and universities in both countries.

Learning from Oman's Circular Economy

Oman has been making efforts to transition towards a circular economy, which involves reusing, recycling and regenerating materials to create a closed-loop system, reducing the environmental impact of production and consumption. Although Oman is still dependent on energy resources, sustainable development forms an important component of Oman Vision 2040.

Oman is exploring the integration of renewable energy sources to power its industries, reducing dependence on finite resources and decreasing the environmental impact of energy production. Oman has made notable strides in promoting sustainable waste management, with the establishment of 67 waste recycling facilities. The Indian authorities also have been proactively creating strategies and endorsing initiatives to propel the nation towards a circular economy.

India can gain valuable insights by collaborating with Oman in developing and executing policies for a circular economy. The two countries can work together on technology transfer in areas such as waste management, recycling and renewable energy. This collaboration would involve sharing expertise, knowledge and best practices to enhance sustainability efforts. Additionally, joint research initiatives can be established to tackle common challenges and devise innovative solutions for circular economy practices, involving academic institutions, research organizations and industry partnerships.

Supportive Logistical Infrastructure

Oman's Vision 2040 initiative, along with its Tanfeedh program for economic advancement, identifies the tourism and logistics sectors, along with several others, as crucial areas for growth. These sectors play a vital role in realizing the government's primary goal of diversifying the country's economy and reducing reliance on depleting natural resource reserves.

Oman's advantageous position along the Strait of Hormuz, coupled with its deep-water ports situated on the Gulf of Oman and the Indian Ocean beyond the Strait, becomes particularly significant as the country's logistics infrastructure expands and connectivity enhances. The Special Economic Zone Authority for Duqm and the Port of Duqm are proactively inviting foreign investments to support the funding of their development initiatives. Alongside the extensive construction projects, Duqm necessitates infrastructure enhancements in areas such as sewage treatment, drainage, water desalination, power plants, buildings, telecommunication services and landscaping.

India, on the other hand, stands as one of the world's rapidly advancing economies, with its infrastructure and logistics sector playing a pivotal role in sustaining this growth. Forecasts indicate substantial growth in India's infrastructure and logistics sector in the coming years, propelled by the rising demand for e-commerce, the expansion of manufacturing industries and the government's dedicated emphasis on infrastructure development. Hence, collaboration on logistics infrastructure between India and Oman can offer several mutual benefits for both countries. Enhanced logistics infrastructure can streamline the movement of goods between India and Oman, facilitating smoother trade processes and reducing transportation costs.

Chapter 1

Macroeconomic Overview of Oman

The Sultanate of Oman is the second largest country geographically in the Gulf Cooperation Council (GCC). Oman, located on the southeastern coast of the Arabian Peninsula, has historically been reliant on oil and gas production as the primary driver of its economy. Overlooking the Strait of Hormuz, the entrance to the Gulf, the source of two-thirds of the world's oil exports, Oman sits on key east-west trade routes, ensuring easy access to markets in the Middle East, India, Southeast Asia, Africa and Europe. Dubbed the 'Switzerland of the Middle East', Oman provides a politically neutral voice in a region prone to diplomatic tension.

The main driver of economic growth in Oman is the oil sector, which has strong, economy-wide multiplier effects. Oman's economy is recovering well after the sharp pandemic-induced recession in 2020, owing to the buoyant hydrocarbon sector, a strong recovery in high-contact sectors and accelerated implementation of structural reforms **(Table 1.1)**. Supported by the revival of the hydro and non-hydrocarbon sectors, Oman's economy performed strongly in 2022, with gross domestic product (GDP) growing by 4.3% in 2022. Economic growth is, however, estimated to slow down to 1.2% in 2023 and then rebound to 2.7% in 2024, reflecting oil production cuts by OPEC+ and moderate growth in the non-hydrocarbon sector due to recovering but still subdued construction activity, a slowdown in global economic activity and tighter financial conditions. Oman is implementing a voluntary cut of about 42,000 barrels/day until the end of June 2024, in addition to the voluntary reduction of 40,000 barrels per day, announced in April 2023, which will continue until the end of December 2024.

In recent years, the country has been striving to diversify its economy to reduce its dependency on hydrocarbon revenues and build a more sustainable economic future by introducing several initiatives. Some of these initiatives include promoting tourism, manufacturing, logistics and renewable energy projects to reduce reliance on oil. The expansion of the new port of Duqm is expected to facilitate higher trade flows between the Gulf region and growing Asian economies and drive long-term growth in sectors including green hydrogen and green ammonia, produced with renewable energy.

Inflation accelerated to an average of 2.8% in 2022, reflecting the recovery of domestic demand and rising global inflationary pressures. Average headline inflation is expected to ease to 1.1% in 2023, reflecting lower food inflation and a stronger US dollar. The low global oil price regime from 2014 to 2021 led to a substantial deterioration of Oman's fiscal and external accounts. However, higher global oil and gas prices in 2022 and fiscal consolidation efforts have boosted fiscal and external positions. The government has capitalised on the revenue windfall from high oil prices to boost capital spending and reduce Oman's high debt levels through voluntary debt buyback operations and early repayments. Buoyed by oil and non-oil exports, the current account in 2022 recorded its first surplus since 2014, at 6.4% of GDP, and is expected to remain in a comfortable surplus over the medium term as higher liquified natural gas exports could partially compensate for the decline in hydrocarbon prices. This is expected to help Oman to rebuild its foreign reserves, which stood at US$ 17.6 billion in 2022 (4.7 months of imports). Reserves are expected to exceed US$ 16 billion during 2023 and improve the country's resilience against external shocks.

Table 1.1: Select Macroeconomic Indicators of Oman

Indicators	2018	2019	2020	2021	2022[e]	2023[f]	2024[f]
GDP, current prices (US$ billion)	91.5	88.1	75.9	88.2	114.7	108.3	112.4
Real GDP growth (%)	1.3	-1.1	-3.4	3.1	4.3	1.2	2.7
GDP per capita, current prices (US$)	19,885.1	19,069.3	16,640.4	19,479.4	24,772.5	21,960.1	22,250.3
Inflation, average consumer prices (% change)	0.9	0.1	-0.9	1.5	2.8	1.1	1.7
Population (million)	4.6	4.6	4.5	4.5	4.9	5.1	5.2
Total investment (% of GDP)	31.7	26.9	27.6	22.4	23.2	23.5	23.8
Gross national savings (% of GDP)	27.1	22.3	11.5	17.0	29.6	28.6	29.2
General government gross debt (% of GDP)	44.7	52.5	67.9	61.3	40.0	38.2	34.0
Current account balance (US$ billion)	-4.2	-4.1	-12.3	-4.8	7.3	5.5	6.1
Current account balance (% of GDP)	-4.6	-4.6	-16.2	-5.4	6.4	5.1	5.4
International reserves (US$ billion)	17.4	16.7	15.0	19.7	17.6	16.6	17.8
Exchange rate (OMR: US$)	0.4	0.4	0.4	0.4	0.4	0.4	0.4

Note: [e]-estimates; [f]-forecasts

Source: IMF World Economic Outlook October 2023, Economist Intelligence Unit (EIU) and India Exim Bank Research

Oman has a fixed exchange rate system, with the Omani Rial (OMR) pegged to the US dollar at OMR 0.3845:US$ 1 since 1986. The exchange rate peg remains a credible monetary anchor for Oman and help to keep inflationary pressures in check. However, given the peg, Oman's external competitiveness deteriorated in 2022 due to the strong US dollar.

Oman's oil reserves primarily consist of heavy crude. Oman can produce upwards of one million barrels per day of crude oil and condensates. The Government of Oman derives roughly 70% of its annual budget from oil and gas revenues through taxation and joint ownership of some of the most productive fields, and the industry accounts for 30% of Oman's GDP. In June 2022, the Ministry of Energy and Minerals (MEM), Oman announced that Oman's crude oil reserves stood at 5.2 billion barrels, and gas reserves at around 24 trillion cubic feet. MEM also announced that it had made new oil discoveries that would raise Oman's production by 50,000 to 100,000 barrels in the coming two to three years.

State-owned Petroleum Development Oman (PDO) holds most of Oman's oil reserves and is Oman's largest oil and gas operator. In 2019, Oman created a state energy company, OQ, integrating several government-owned upstream, midstream and downstream oil and gas entities. The OQ group has participating interests in four producing blocks, one non-producing block and five exploration blocks, both onshore and offshore Oman. Government-owned holding company, Energy Development Oman (EDO), represents the government's stake in PDO and raises financing for projects. Oman is making a push towards manufacturing and value-added processing through refining and petrochemicals projects such as the completed Sohar Refinery Improvement Project and construction on the OQ8 refinery in Duqm.

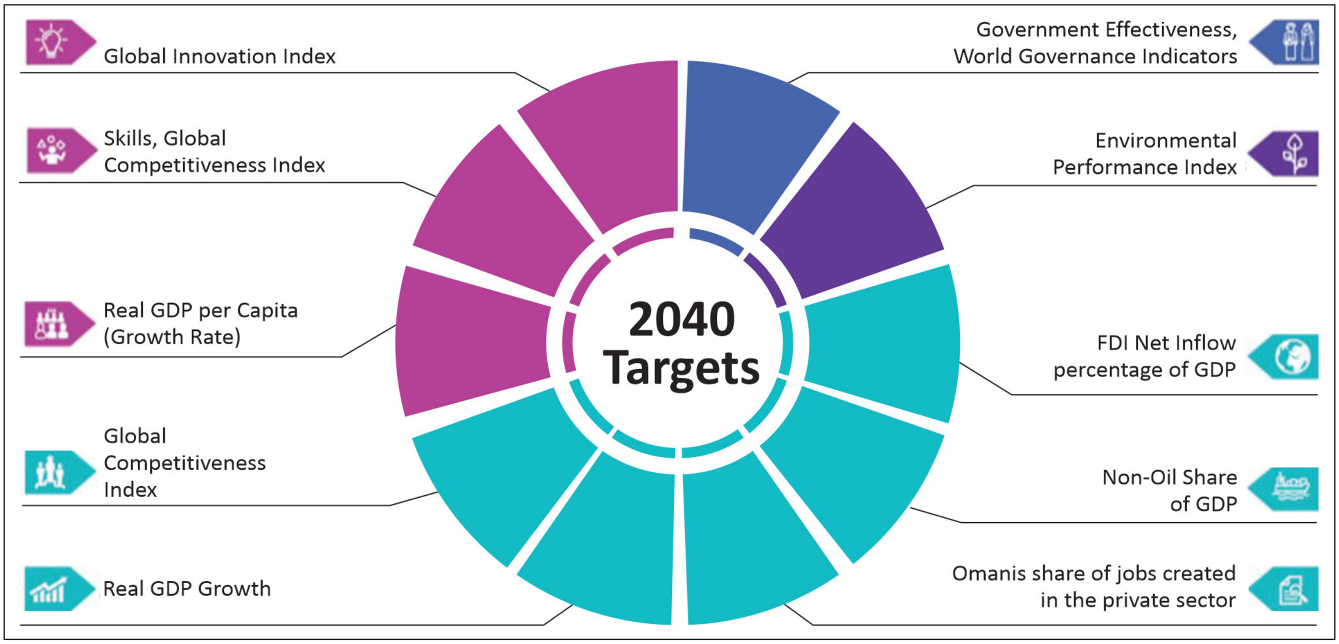
Oman also has huge potential for low-cost solar and wind. In 2022, Oman announced a target to achieve net zero emissions by 2050. Oman's National Energy Strategy aims to derive 30% of electricity from renewable sources by 2030. As part of Oman's transition to more sustainable energy, the country aims to produce more than 1 million tonnes of clean green hydrogen annually by 2030, up to 3.75 million tonnes by 2040 and up to 8.5 million tonnes by 2050, which would be greater than total hydrogen demand in Europe today. According to International Energy Agency (IEA), Oman could become the world's sixth biggest exporter of hydrogen by 2030. Accordingly, the government is prioritising investment in the logistics, green hydrogen and renewable energy sectors, given Oman's strategic location and abundant solar and wind resources.

Oman has potential in many industries such as tourism, fisheries, logistics, mining, creative and technology services and manufacturing. The Omani government actively encourages foreign direct investments and has used the proceeds from oil and gas to develop the country's infrastructure and human resources.

Oman Vision 2040

Oman Vision 2040 is the Sultanate's gateway to overcome challenges, keep pace with regional and global changes, generate and seize opportunities to foster economic competitiveness and social well-being, stimulate growth and build confidence in all economic, social and developmental relations nationwide **(Exhibit 2)**.

Exhibit 2: Oman Vision 2040 – Main Indicators



Source: Oman Vision 2040 booklet

While identifying the national priorities, the vision focuses on reshaping the roles of and relation between the public, private and civil sectors to ensure effective economic management; achieve a developed, diversified and sustainable national economy; ensure fair distribution of development gains among governorates and protect the nation's natural resources and unique environment. In Oman's vision for the future, a favourable environment is developed to attract talents in the labour market, partnerships grow in a competitive business climate, comprehensive regional development is achieved through decentralisation, guided by the principle of optimal and balanced use of land and natural resources and the protection of the environment to bring about food, water and energy security. Smart and sustainable cities are built with advanced IT infrastructure and socio-economic prosperity and social justice are nurtured in urban and rural communities.

To conclude, Oman offers competitive advantages such as political stability; fast growing working age population; strong government investments in infrastructure, healthcare and education; no personal income taxes; full repatriation of capital, net profit and royalties; strategic geographic location with close proximity to Gulf, Asian and African markets; free trade and open market policy; low corporate income tax rate and double taxation treaties with many countries[1].

[1] Doing Business in Oman, HSBC

Chapter 2

International Trade of Oman

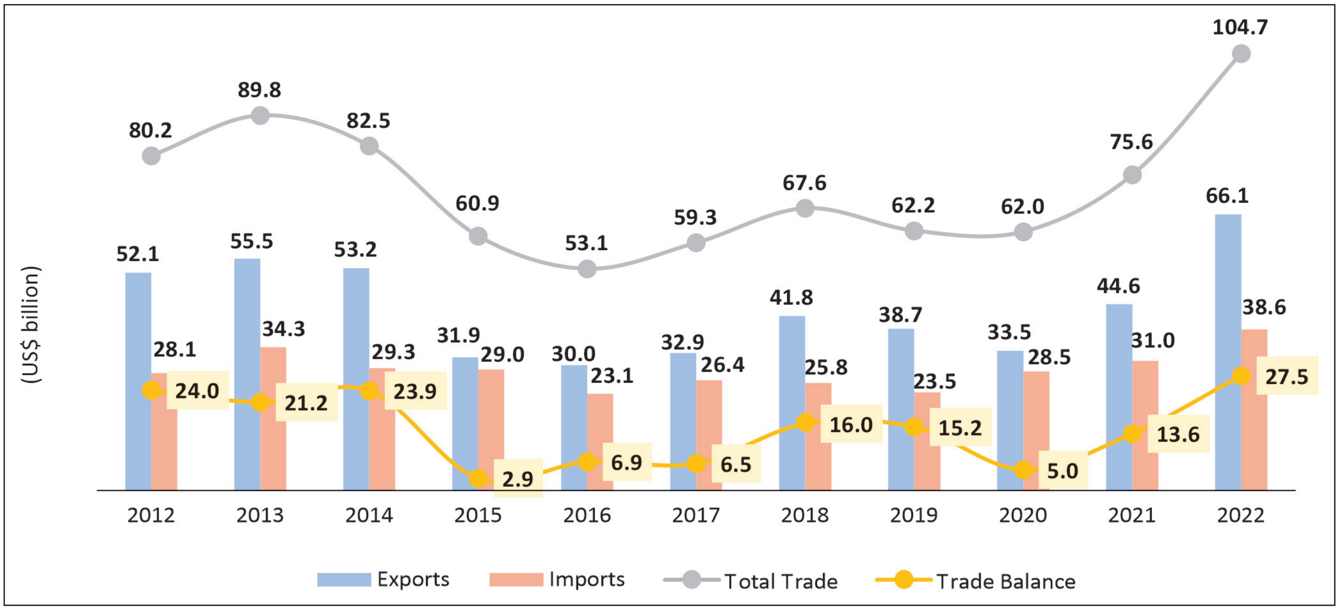
Oman, a country located on the southeastern coast of the Arabian Peninsula, has a long history of international trade due to its strategic location along important trade routes. International trade plays a crucial role in Oman's economy and the country has implemented various policies and initiatives to promote trade and economic growth. Oman is making significant strides to diversify its economy, including an energy transition as it remains dependent on oil and gas revenues, with fuel exports accounting for over 70% of its total merchandise exports in 2022.

International trade has enabled Oman to diversify its economic base by promoting non-oil sectors such as manufacturing, tourism and logistics. This diversification helps reduce Oman's vulnerability to fluctuations in oil prices and fosters a more resilient and sustainable economy. Oman's membership in the GCC promotes economic integration and trade among its member states. Trade within the GCC is facilitated by agreements aimed at removing trade barriers and promoting economic cooperation, further boosting Oman's economic development.

International trade is fundamental to Oman's economic growth and development by providing revenue, creating jobs, diversifying the economy and promoting investment and innovation. As Oman continues to pursue economic reforms and trade liberalization, its reliance on international trade as a catalyst for development is likely to expand further.

Oman benefits from high-quality port facilities that facilitate trade. Oman's foreign trade increased over the past decade from US$ 80.2 billion in 2012 to US$ 104.7 billion in 2022 **(Chart 2.1)**. Oman's exports expanded at an average annual growth rate (AAGR) of 5.3% from 2012 to 2022, as compared to AAGR of 4.4% witnessed by imports during the same period. Oman is a significant exporter of oil and natural gas. High global oil prices and strong demand for energy resources have played a crucial role in maintaining a positive trade balance. Oman's trade surplus doubled in 2022 to a massive US$ 27.5 billion as compared to a surplus of US$ 13.6 billion in 2021.

Chart 2.1: International Merchandise Trade of Oman



Source: ITC Trade Map and India Exim Bank Research

Merchandise Exports of Oman

Oman's exports have been heavily dependent on mineral fuels and oil (HS-27), which accounted for 70.4% of Oman's global exports in 2022 **(Table 2.1)**. More than 65% of Oman's exports under HS-27 are of crude oil (HS-270900), followed by natural gas (a share of 17.4% in HS-27 exports) and light oils and preparations (17%), among others. The top 5 exported products accounted for 84.3% of total exports of Oman in 2022.

Non-hydrocarbon exports have almost doubled from 2012 levels and represented over one-fourth of total exports in 2022. The major non-hydrocarbon export products were plastics and articles, with its share in Oman's global exports increasing from 1.3% in 2012 to 4.5% in 2022. Ores, slag and ash (3.4% share), fertilisers (3.2%) and iron and steel (2.8%) were the other major exported products in 2022.

Table 2.1: Major Products Exported by Oman

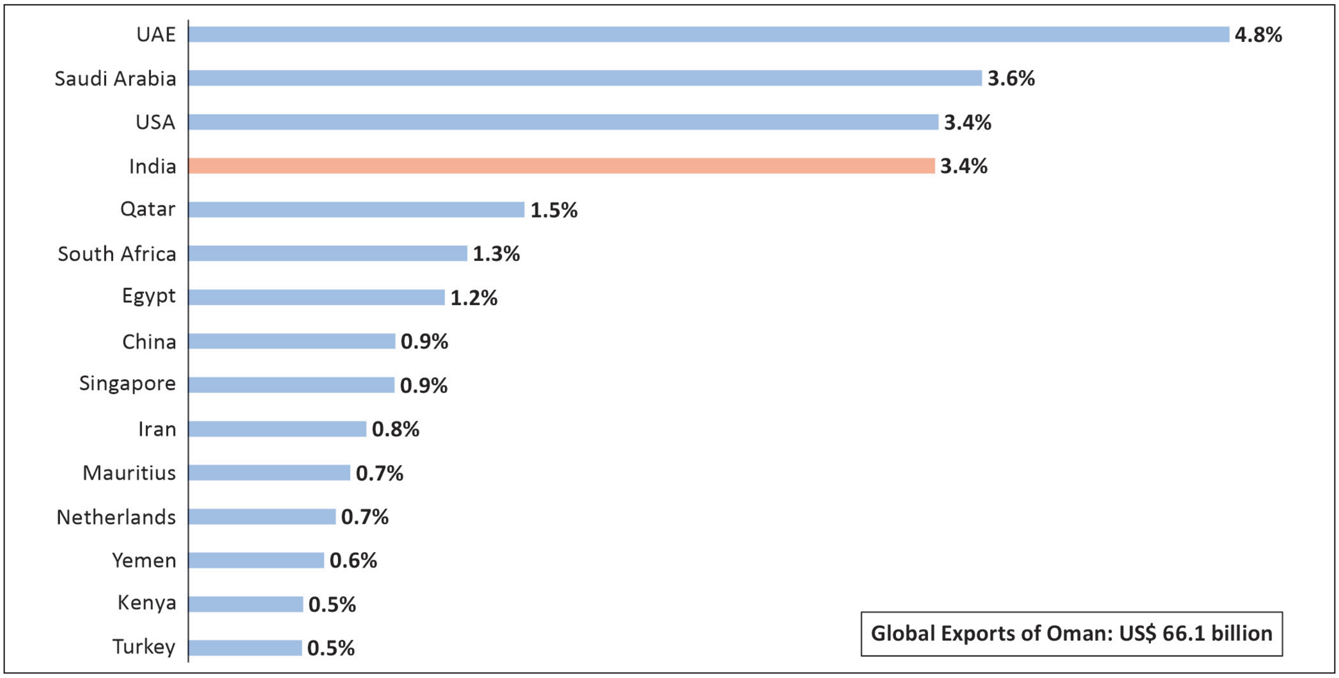
HS Code	Product	2012 (US$ million)	% Share in Oman's Exports in 2012	2022 (US$ million)	% Share in Oman's Exports in 2022
	Total Merchandise Exports of Oman	**52,138.2**	**100.0**	**66,063.4**	**100.0**
27	Mineral fuels and oils	39,304.2	75.4	46,535.1	70.4
39	Plastics and articles	658.2	1.3	2,946.2	4.5
26	Ores, slag and ash	955.1	1.8	2,244.2	3.4
31	Fertilisers	990.8	1.9	2,107.7	3.2
72	Iron and steel	564.9	1.1	1,868.6	2.8
76	Aluminium and articles	896.5	1.7	1,376.6	2.1

HS Code	Product	2012 (US$ million)	% Share in Oman's Exports in 2012	2022 (US$ million)	% Share in Oman's Exports in 2022
29	Organic chemicals	1,611.7	3.1	946.8	1.4
87	Vehicles other than railway or tramway rolling stock and parts	3,989.2	7.7	742.4	1.1
85	Electrical machinery, equipment and parts	437.4	0.8	654.0	1.0
84	Machinery and mechanical appliances	267.5	0.5	636.2	1.0
73	Articles of iron or steel	321.7	0.6	580.5	0.9
25	Salt, sulphur, earths and stone	146.9	0.3	514.5	0.8
38	Miscellaneous chemical products	48.0	0.1	447.3	0.7
04	Dairy produce, eggs, natural honey and edible products of animal origin	251.6	0.5	415.4	0.6
03	Fish and crustaceans, molluscs and other aquatic invertebrates	146.3	0.3	374.1	0.6

Source: ITC Trade Map and India Exim Bank Research

UAE remains the major export destination of Oman, accounting for 4.8% of Oman's exports in 2022. Other major export destinations in 2022 were Saudi Arabia (3.6% of total exports), the US (3.4%), India (3.4%), and Qatar (1.5%), among others **(Chart 2.2)**.

Chart 2.2: Major Export Destinations of Oman, 2022



Source: ITC Trade Map and India Exim Bank Research

Table 2.2 highlights the product-wise major export destinations of Oman for products having greater than 1% share in Oman's global exports.

Table 2.2: Major Export Destinations for Products Exported by Oman, 2022

HS Code	Product (Export Value)	Major Export Destinations of Oman	Exports (US$ million)	% Share in Oman's Exports of Respective Product
	Total Merchandise Exports of Oman (US$ 66,063.4 million)	UAE	3,143.1	4.8
		Saudi Arabia	2,397.1	3.6
		USA	2,265.4	3.4
		India (4th Largest)	2,255.2	3.4
		Qatar	1,016.3	1.5
27	Mineral fuels and oils (US$ 46,535.1 million)	South Africa	790.8	1.7
		Mauritius	449.7	1.0
		Madagascar	321.3	0.7
		Maldives	308.2	0.7
		Kenya	217.6	0.5
		India (8th largest)	157.1	0.3
39	Plastics and articles (US$ 2,946.2 million)	USA	801.1	27.2
		India (2nd largest)	315.8	10.7
		China	255.9	8.7
		UAE	219.6	7.5
		Turkey	136.0	4.6
26	Ores, slag and ash (US$ 2,244.2 million)	Saudi Arabia	758.5	33.8
		Egypt	580.1	25.8
		UAE	410.5	18.3
		Qatar	182.6	8.1
		Libya	135.7	6.0
		India (10th largest)	1.8	0.1
31	Fertilisers (US$ 2,107.7 million)	India (Largest)	1244.6	59.1
		USA	459.3	21.8
		Brazil	88.7	4.2
		Mexico	78.1	3.7
		Australia	47.5	2.3
72	Iron and steel (US$ 1,868.6 million)	Saudi Arabia	718.5	38.5
		UAE	475.7	25.5
		Singapore	205.0	11.0
		Netherlands	90.1	4.8
		Egypt	53.0	2.8
		India (8th largest)	27.6	1.5

HS Code	Product (Export Value)	Major Export Destinations of Oman	Exports (US$ million)	% Share in Oman's Exports of Respective Product
76	Aluminium and articles (US$ 1,376.6 million)	USA	475.7	34.6
		India (2nd largest)	108.4	7.9
		Malaysia	96.7	7.0
		Turkey	95.0	6.9
		Netherlands	92.7	6.7
29	Organic chemicals (US$ 946.8 million)	Singapore	267.0	28.2
		China	209.6	22.1
		South Korea	112.0	11.8
		India (4th largest)	82.7	8.7
		Malaysia	49.3	5.2
87	Vehicles other than railway or tramway rolling stock and parts (US$ 742.4 million)	UAE	369.9	49.8
		Saudi Arabia	113.3	15.3
		Yemen	27.2	3.7
		Netherlands	26.5	3.6
		Iran	22.0	3.0
		India (30th largest)	1.5	0.2
85	Electrical machinery, equipment and parts (US$ 654.0 million)	UAE	278.1	42.5
		Qatar	74.7	11.4
		Iran	56.1	8.6
		Kuwait	44.8	6.9
		Saudi Arabia	31.2	4.8
		India (25th largest)	1.8	0.3
84	Machinery and mechanical appliances (US$ 636.2 million)	UAE	163.7	25.0
		UK	129.1	19.7
		Iran	50.6	7.7
		Saudi Arabia	50.0	7.6
		USA	26.9	4.1
		India (15th largest)	8.1	1.2

Source: ITC Trade Map and India Exim Bank Research

Merchandise Imports of Oman

Mineral fuels (mainly refined petroleum) accounted for 24.2% of Oman's imports in 2022. Oman is also a major importer of machinery and mechanical appliances (mostly appliances for pipes and boiler shells and automatic data processing machines), though its share has moderated from 12.2% to 8% over 2012-2022.

Similar is the case with transport vehicles mainly comprising motor cars, with its import share decreasing from 23% in 2012 to 7.7% in 2022. Other major import items include electrical machinery, organic chemicals, ores, slag and ash, iron and steel and articles of iron or steel, among others **(Table 2.3)**.

Table 2.3: Major Products Imported by Oman

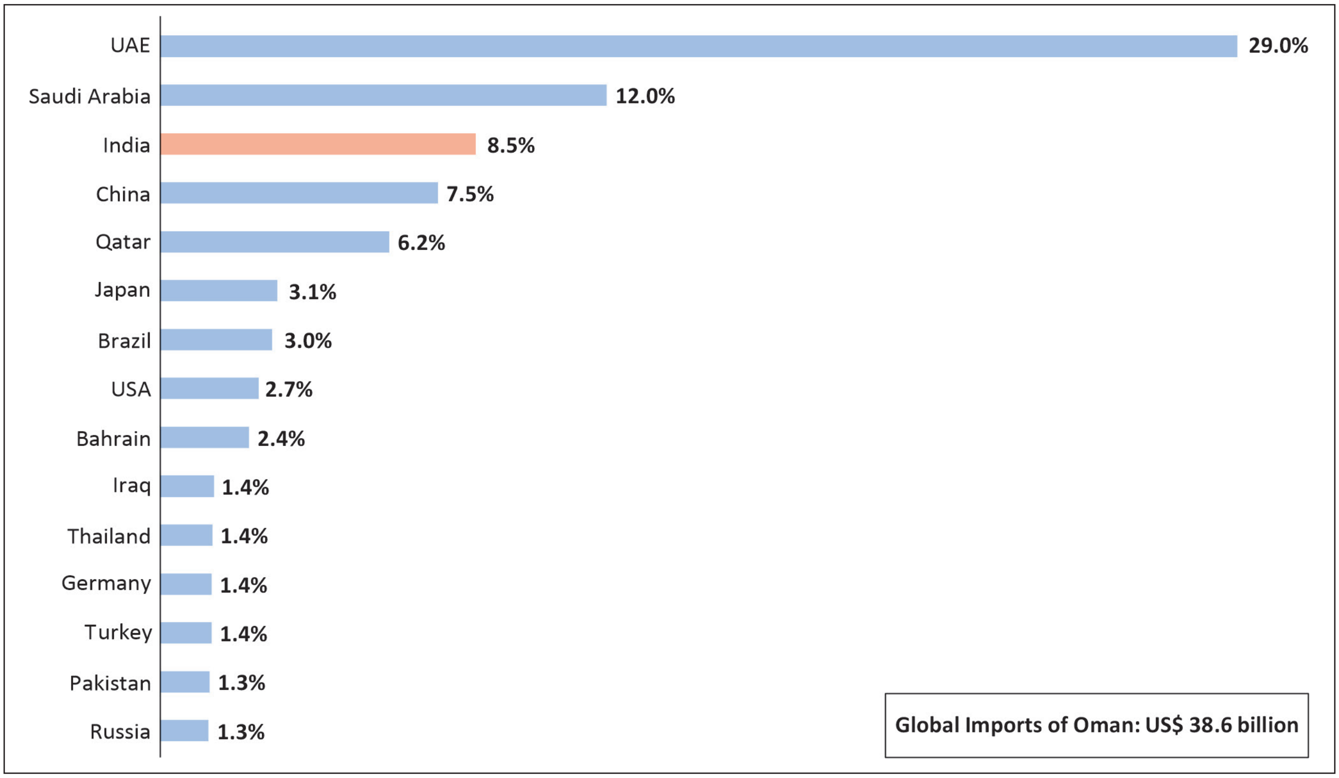
HS Code	Product	2012 (US$ million)	% Share in Oman's Imports in 2012	2022 (US$ million)	% Share in Oman's Imports in 2022
	Total Merchandise Imports of Oman	**28,117.6**	**100.0**	**38,573.0**	**100.0**
27	Mineral fuels and oils	2,494.6	8.9	9,333.2	24.2
84	Machinery and mechanical appliances	3,425.3	12.2	3,103.1	8.0
87	Vehicles other than railway or tramway	6,475.9	23.0	2,980.8	7.7
85	Electrical machinery and equipment	1,744.9	6.2	2,359.4	6.1
29	Organic chemicals	746.8	2.7	1,627.4	4.2
26	Ores, slag and ash	1,059.0	3.8	1,603.6	4.2
72	Iron and steel	1,037.8	3.7	1,569.5	4.1
73	Articles of iron or steel	1,642.8	5.8	1,398.8	3.6
39	Plastics and articles	639.2	2.3	1,019.6	2.6
04	Dairy produce	532.4	1.9	932.1	2.4
71	Natural or cultured pearls, precious or semi-precious stones	372.2	1.3	894.5	2.3
10	Cereals	337.7	1.2	699.7	1.8
30	Pharmaceutical products	287.4	1.0	586.5	1.5
74	Copper and articles	487.3	1.7	510.9	1.3
90	Optical, photographic, cinematographic, medical or surgical instruments	337.1	1.2	500.6	1.3
38	Miscellaneous chemical products	281.3	1.0	492.6	1.3

Source: ITC Trade Map and India Exim Bank Research

UAE remains the largest import source of Oman, accounting for 29% of Oman's imports in 2022, followed by Saudi Arabia which accounted for 12%. India was the 3rd largest import source for Oman, with the trade balance heavily in favour of Oman **(Chart 2.3)**. Other major import sources for Oman in 2022 include China (7.5%), Qatar (6.2%), Japan (3.1%), Brazil (3%) and the US (2.7%), among others.

After the GCC members, India and China have been the major sources across almost all commodities imported by Oman in 2022 **(Table 2.4)**. India was the second largest import source for mineral fuels and the third largest source of electrical machinery. The potential tariff liberalization facilitated by a prospective India-Oman trade agreement holds the promise of strengthening India's export position in Oman. This anticipated agreement is expected to render Indian exports more competitive, thereby potentially increasing India's share in Oman's import landscape.

Chart 2.3: Major Import Sources of Oman, 2022



Source: ITC Trade Map and India Exim Bank Research

Table 2.4: Major Sources for Commodities Imported by Oman, 2022

HS Code	Product (Import Value)	Major Import Sources of Oman	Imports (US$ million)	% Share in Oman's Imports of Respective Product
	Total Merchandise Imports of Oman (US$ 38,573.0 million)	UAE	11,172.1	29.0
		Saudi Arabia	4,628.1	12.0
		India (3rd Largest)	3,271.9	8.5
		China	2,880.6	7.5
		Qatar	2,374.4	6.2
27	Mineral fuels and oils (US$ 9,333.2 million)	Saudi Arabia	2,939.8	31.5
		Qatar	1,609.2	17.2
		India (3rd largest)	1,506.3	16.1
		UAE	905.2	9.7
		Iraq	390.2	4.2
84	Machinery and mechanical appliances (US$ 3,103.1 million)	UAE	1,104.8	35.6
		China	479.9	15.5
		Qatar	188.4	6.1
		Luxembourg	177.0	5.7
		UK	125.5	4.0
		India (8th largest)	97.0	3.1

HS Code	Product (Import Value)	Major Import Sources of Oman	Imports (US$ million)	% Share in Oman's Imports of Respective Product
87	Vehicles other than railway or tramway (US$ 2,980.8 million)	Japan	900.9	30.2
		UAE	566.8	19.0
		USA	383.0	12.8
		Thailand	284.4	9.5
		China	182.6	6.1
		India (8th largest)	57.7	1.9
85	Electrical machinery and equipment (US$ 2,359.4 million)	UAE	1,153.0	48.9
		China	341.9	14.5
		Turkey	130.0	5.5
		India (4th largest)	107.7	4.6
		Qatar	74.3	3.1
29	Organic chemicals (US$ 1,627.4 million)	Saudi Arabia	580.6	35.7
		China	383.1	23.5
		Thailand	112.3	6.9
		India (4th largest)	110.0	6.8
		Qatar	105.2	6.5
26	Ores, slag and ash (US$ 1,603.6 million)	Brazil	1015.9	63.4
		Bahrain	474.7	29.6
		India (3rd largest)	43.5	2.7
		Pakistan	21.5	1.3
		Australia	9.1	0.6
72	Iron and steel (US$ 1,569.5 million)	UAE	394.1	25.1
		Pakistan	313.8	20.0
		India (3rd largest)	241.1	15.4
		China	166.7	10.6
		Iraq	164.1	10.5
73	Articles of iron or steel (US$ 1,398.8 million)	UAE	496.3	35.5
		China	466.4	33.3
		Japan	132.2	9.4
		India (4th largest)	75.0	5.4
		Saudi Arabia	74.7	5.3
39	Plastics and articles (US$ 1,019.6 million)	UAE	470.4	46.1
		Saudi Arabia	130.5	12.8
		China	118.0	11.6
		USA	62.9	6.2
		India (5th largest)	55.2	5.4

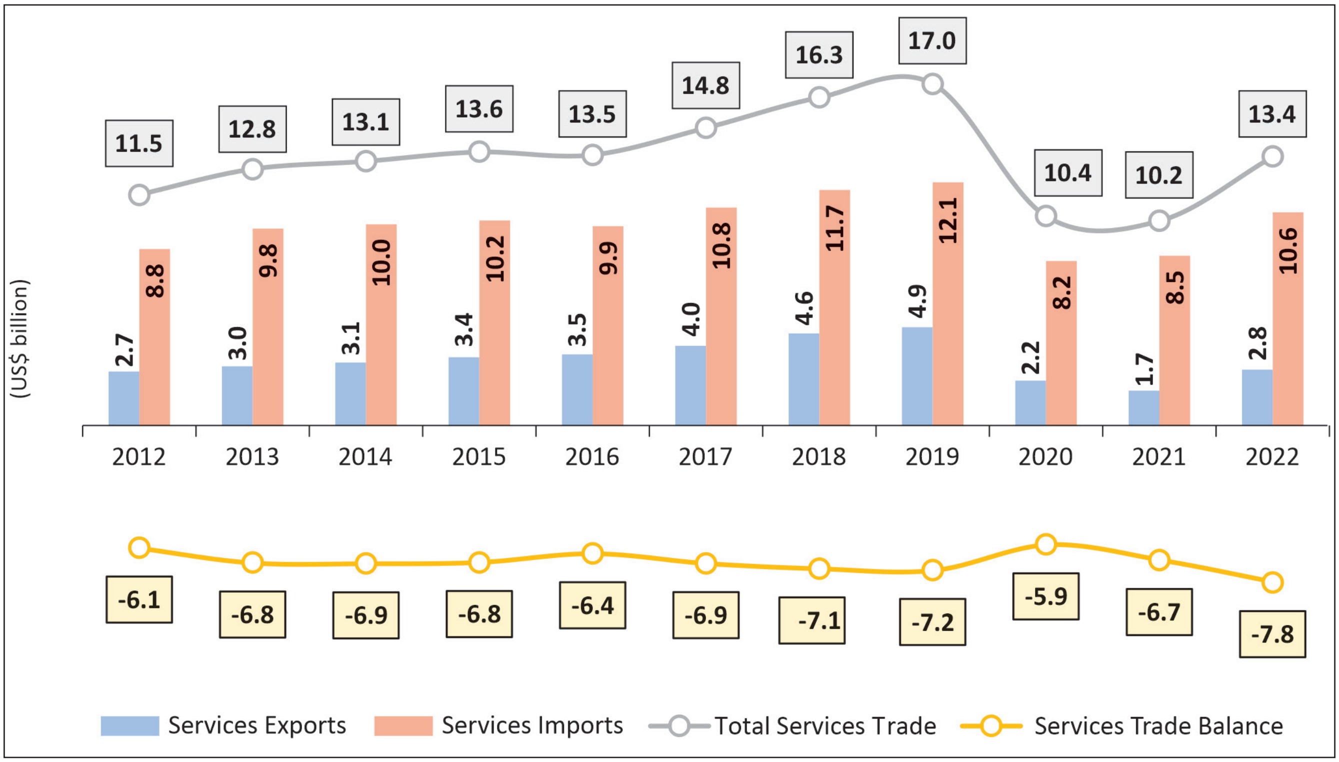
HS Code	Product (Import Value)	Major Import Sources of Oman	Imports (US$ million)	% Share in Oman's Imports of Respective Product
04	Dairy produce (US$ 932.1 million)	UAE	325.5	34.9
		Saudi Arabia	160.9	17.3
		Belgium	120.8	13.0
		Denmark	82.0	8.8
		Bahrain	52.4	5.6
		India (7th largest)	24.8	2.7

Source: ITC Trade Map and India Exim Bank Research

Services Trade of Oman

Oman's services trade has increased marginally from US$ 11.5 billion in 2012 to US$ 13.4 billion in 2022. Oman's services exports increased from US$ 2.7 billion in 2012 to US$ 2.8 billion in 2022. Total services imports increased from US$ 8.8 billion in 2012 to US$ 10.6 billion in 2022 **(Chart 2.4)**. Oman remains a net importer of services, with services deficit increasing from US$ 6.1 billion in 2012 to US$ 7.8 billion in 2022.

Chart 2.4: Services Trade of Oman



Source: WTO and India Exim Bank Research

Among the commercial services exports, transport accounted for the largest share (35.9%) in 2021, mostly through sea and air route **(Table 2.5)**. This was followed by technical, trade-related and other business services (22.9%), travel (20.9%) and telecommunication services (13.4%). Under travel services, personal travel dominated Oman's services exports.

Table 2.5: Services Exports of Oman (US$ million)

Product/Sector	2010	2015	2019	2020	2021	2022
Total Services Exports of Oman	**1,808**	**3,395**	**4,898**	**2,237**	**1,733**	**2,787**
Commercial services	1,808	3,395	4,898	2,237	1,733	2,787
Transport	525	1,257	2,372	1,097	622	-
Sea transport	159	550	652	719	342	-
Freight (Sea)	159	-	-	-	-	-
Other (Sea)	-	550	652	719	342	-
Air transport	289	707	1,721	379	280	-
Passenger (Air)	289	707	1,382	267	149	-
Other (Air)	-	-	338	111	131	-
Other modes of transport	78	-	-	-	-	-
Travel	783	1,540	1,811	455	362	-
Business	239	424	453	110	90	-
Personal	544	1,117	1,358	345	271	-
Other (Personal)	544	1,117	1,358	345	271	-
Other commercial services	499	598	715	684	750	-
Construction	-	-	39	38	37	-
Insurance and pension services	26	41	42	40	58	-
Financial services	-	-	17	16	17	-
Explicitly charged and other financial services	-	-	17	16	17	-
Telecommunications, computer and information services	83	89	221	229	241	-
Telecommunications services	83	89	213	222	233	-
Computer services	-	-	8	8	8	-
Other business services	390	468	396	361	397	-
Technical, trade-related and other business services	390	468	396	361	397	-

Note: "-" implies nil, negligible or not available

Source: International Trade Statistics, WTO and India Exim Bank Research

Since services export partners data for Oman are not available in the WTO International Trade Statistics, as an alternate source, the OECD-WTO Balanced Trade in Services (BaTIS) dataset[2] is referred. **Table 2.6** represents the top services export partners of Oman between 2010-2021 (*as per the latest data available*). UAE emerged as the largest services export destination for Oman in 2021, with exports worth US$ 201 million and 8.7% share in the total services exports of Oman. The US followed UAE, with services exports of US$ 200 million and 8.6% share. Other significant partners include China (8.3%), UK (5.8%), Saudi Arabia (5.2%), Germany (4.9%), Japan (4.4%) and India (4.4%).

[2] BaTIS is a complete, consistent and balanced matrix of international trade in services statistics (ITSS). At present, only about 63% of world trade in services is bilaterally specified and the percentage is even lower for the individual service categories. The OECD-WTO methodology leverages all available official statistics and combines them with estimations and adjustments to provide users with a complete matrix covering virtually all economies in the world. To resolve the asymmetries between reported and mirror flows, exports and imports are reconciled by calculating a symmetry-index weighted average between the two, following a similar approach to that developed for international merchandise trade statistics. It contains annual bilateral data covering 202 reporters and partners, broken down by the 12 main EBOPS2010 (BPM6) categories. BaTIS is the result of joint efforts by the OECD and the WTO.

Table 2.6: Services Export Destinations of Oman (US$ million)

	2010	2015	2019	2020	2021	% Share in 2021
UAE	144	278	346	191	201	8.7
USA	308	343	313	196	200	8.6
China	104	232	302	192	193	8.3
UK	125	182	223	128	134	5.8
Saudi Arabia	120	173	200	111	122	5.2
Germany	93	138	179	109	113	4.9
Japan	82	111	147	98	103	4.4
India	70	93	138	94	102	4.4
Denmark	35	60	91	89	91	3.9
Singapore	63	78	151	102	77	3.3
France	69	95	133	125	68	2.9
Italy	38	61	116	87	62	2.7
Switzerland	39	66	85	62	61	2.6
Netherlands	40	73	75	45	42	1.8

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Table 2.7 represents the services imported by Oman. Transport accounted for 44.7% of Oman's commercial services imports in 2021, with bulk of transport taking place through sea route. This is followed by technical, trade-related and other business services (15.2%), insurance and pension services (13.6%), travel (10.9%), telecommunications, computer and information services (5.8%) and construction (5.6%).

Table 2.7: Services Imports of Oman (US$ million)

Product/Sector	2010	2015	2019	2020	2021	2022
Total Services Imports of Oman	**6,364**	**10,215**	**12,112**	**8,177**	**8,453**	**10,607**
Commercial services	6,364	10,215	12,112	8,177	8,453	10,607
Transport	2,666	3,945	4,372	3,538	3,780	-
Sea transport	1,899	3,506	2,448	2,936	3,127	-
Freight (Sea)	1,899	2,856	2,304	2,826	3,028	-
Other (Sea)	-	650	144	110	99	-
Air transport	242	439	1,923	602	653	-
Passenger (Air)	242	439	771	200	159	-
Other (Air)	-	-	1,152	402	493	-
Other modes of transport	525	-	-	-	-	-
Travel	1,001	1,769	2,635	796	924	-
Business	169	262	376	114	112	-
Personal	832	1,507	2,258	682	812	-
Health-related	263	410	572	153	181	-
Education-related	125	265	481	250	288	-
Other (Personal)	445	832	1,205	279	342	-

Product/Sector	2010	2015	2019	2020	2021	2022
Other commercial services	2,697	4,502	5,106	3,843	3,750	-
Construction	-	-	1,107	554	471	-
Insurance and pension services	715	1,006	1,077	1,060	1,146	-
Financial services	-	-	353	364	357	-
Explicitly charged and other financial services	-	-	353	364	357	-
Telecommunications, computer and information services	36	114	460	512	490	-
Telecommunications services	36	114	242	256	244	-
Computer services	-	-	218	257	246	-
Other business services	1,945	3,382	2,109	1,354	1,286	-
Technical, trade-related and other business services	1,945	3,382	2,109	1,354	1,286	-

Note: "-" implies nil, negligible or not available

Source: WTO and India Exim Bank Research

Table 2.8: Services Import Sources of Oman (US$ million)

	2010	2015	2019	2020	2021	% Share in 2021
USA	415	724	922	731	705	10.1
UAE	281	552	717	527	622	8.9
UK	294	631	629	498	529	7.5
India	245	348	456	386	439	6.3
China	215	343	432	339	404	5.8
Germany	185	260	334	250	300	4.3
France	159	191	308	272	253	3.6
Ireland	72	120	245	239	229	3.3
Japan	168	228	281	205	220	3.1
Singapore	144	184	320	252	202	2.9
Netherlands	498	364	364	374	199	2.8
Hong Kong	102	165	204	144	154	2.2
Spain	114	163	186	122	139	2.0
Italy	60	105	156	118	134	1.9

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010 and India Exim Bank Research

Table 2.8 represents the top services import partners of Oman from during 2010-2021. Mirroring the export partners, the US and UAE emerged as the two largest services import partners for Oman in 2021, with 10.1% and 8.9% shares, respectively. Other major partners include UK (7.5%), India (6.3%), China (5.8%), Germany (4.3%), France (3.6%), Ireland (3.3%) and Japan (3.1%).

Oman had several trade-related agreements in place with various countries and regions. Oman is a member of the GCC, which includes Bahrain, Kuwait, Qatar, Saudi Arabia and UAE. The GCC countries have a customs union and a common external tariff, which facilitates trade among member countries. Subsequently, Oman has trade agreements and economic cooperation agreements with the other GCC members to facilitate trade within the Gulf region. These agreements aim to promote economic integration among the GCC countries.

Oman also has a comprehensive free trade agreement (FTA) with the US, which entered into force in 2009. This agreement eliminates or reduces tariffs on a wide range of goods and services and includes provisions related to intellectual property, labor and environmental standards. In addition to its bilateral FTA with the US, Oman is part of the GCC-US Framework Agreement, which promotes economic and trade cooperation between the GCC countries and the US. Oman is also a member of the Arab Free Trade Area, which is an agreement among Arab League members, aimed at promoting trade and economic cooperation in the Arab world.

Chapter 3

India's Trade with Oman

The Sultanate of Oman is a strategic partner of India and an important interlocutor at the GCC, Arab League and Indian Ocean Rim Association (IORA) fora. India and Oman are linked by geography, history and culture and enjoy warm and cordial relations. While people-to-people contact between India and Oman can be traced back 5,000 years, diplomatic relations were established in 1955 and the relationship was upgraded to Strategic Partnership in 2008.

Oman holds a pivotal position in India's West Asia Policy and serves as its oldest regional strategic partner. Notably, Oman stands as India's closest defence partner in the Gulf region. Both nations have collaborated to ensure maritime security in the Indian Ocean region. Economic and commercial ties have flourished, with India ranking among Oman's top trading partners. India was the fourth largest market for Oman's exports in 2022, after UAE, Saudi Arabia and the US. India also stands as the third largest source of imports for Oman after UAE and Saudi Arabia.

Both countries are currently in talks to finalize a Comprehensive Economic Partnership Agreement (CEPA). Significantly positive strides have been taken, with leaders from both sides underscoring the importance of promptly concluding this agreement to enhance their economic connections. Strengthening their ties, the 'India-Oman Joint Vision – A Partnership for the Future,' outlined cooperation in ten distinct domains between the two nations. As the India-Oman Joint Vision takes shape, it is evident that the partnership extends beyond diplomatic relations, paving the way for shared prosperity, security and cooperation.

India-Oman Joint Vision – A Partnership for Future

During December 2023, a vision document called India-Oman Joint Vision – A Partnership for the Future was embraced, establishing the groundwork for mutual collaboration and outlining routes for future cooperation between the two nations.

The India-Oman Joint Vision represents a significant stride towards fostering a robust and enduring partnership between two nations, deeply rooted in history and bound by shared values. The collaboration transcends mere diplomacy and is seen as a testament to the commitment of India and Oman to co-create a future characterized by mutual prosperity, security and cooperation. As the global landscape evolves, this strategic alliance is expected to play a pivotal role in shaping the dynamics of the region and beyond.

At the heart of this partnership lies a commitment to economic growth and development. India and Oman recognize the potential for synergy in their economic pursuits and have outlined a comprehensive roadmap to harness the collective strength of their economies. The Joint Vision places a strong emphasis on trade and investment, acknowledging the role of economic cooperation as a catalyst for sustainable development. By leveraging each other's strengths and resources, both nations aim to create a conducive environment for businesses to thrive, ultimately benefitting the livelihoods of their citizens.

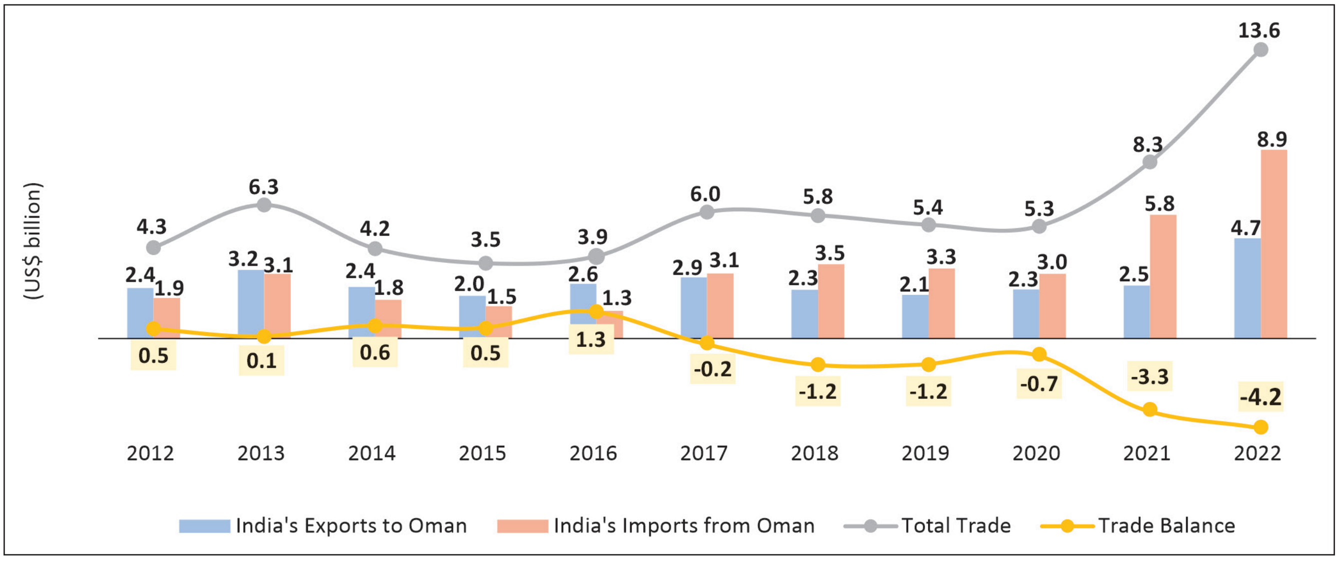
The vision document outlined a strategic vision, concentrating on forging alliances in approximately 8 to 10 key areas. These encompass collaboration in maritime activities and connectivity, ensuring energy security, space exploration, digital payments, healthcare, tourism, hospitality, agriculture and food security. The 3rd tranche of the Oman-India Joint Investment Fund (OIJIF) was announced – a 50-50 joint venture between the State Bank of India and the Oman Investment Authority worth US$ 300 million, recognizing its potential to attract investments from Oman and the Gulf region into key sectors of the Indian economy. The countries stressed on deepening defense cooperation between the nations and their commitment to expanding cooperation in space, civil aviation and air connectivity.

In the realm of security, the India-Oman Joint Vision underscores the importance of collaborative efforts to address shared challenges. As regional and global security concerns continue to evolve, the two nations are committed to working in tandem to ensure the safety and well-being of their people. This encompasses joint initiatives in counter-terrorism, maritime security and the exchange of intelligence. By pooling their expertise and resources, India and Oman seek to fortify their defences and contribute to the broader goal of maintaining peace and stability in the region.

The Joint Vision is not confined to the bilateral sphere as it envisions a broader role for the two nations in regional and international affairs. The Joint Vision is expected to be a roadmap to a future where the outcomes of India and Oman are intertwined, bound by a common purpose and a shared commitment to shaping a better world for generations to come.

Oman is India's third largest export destination in the GCC, accounting for 9.3% of India's total exports to the region in 2022. Indo-Oman trade increased by more than three-folds over the past decade to reach US$ 13.6 billion in 2022 from US$ 4.3 billion in 2012. India's exports to Oman, at US$ 4.7 billion, accounted for 1% of India's global exports in 2022 **(Chart 3.1)**.

Chart 3.1: India's Merchandise Trade with Oman



Source: ITC Trade Map and India Exim Bank Research

Imports from Oman have been relatively higher at US$ 8.9 billion in 2022, increasing from US$ 1.9 billion in 2012. India had a trade surplus with Oman of US$ 0.5 billion in 2012 which transformed into a deficit since 2017, reaching US$ 4.2 billion in 2022.

India's Exports to Oman

India's trade with Oman has undergone a compositional change across the years. Though the main components of India's exports to Oman continue to remain food items and other primary goods, reflecting Oman's evolving economy, exports have gradually expanded to capital goods as well.

Mineral fuels, oil and products dominate India's exports to Oman, accounting for over 48% of India's exports to the country in 2022 **(Table 3.1)**. In fact, India was the third largest source of mineral fuels, oil and products for Oman after Saudi Arabia and Qatar, accounting for 16.1% of Oman's global imports of the product. India's basket of exports to Oman remains well-diversified, comprising value added products like iron and steel, inorganic chemicals, machinery (both electrical and mechanical) and organic chemicals, respectively. India remains the largest import source for Oman for cereals (29.6% of the country's global imports), third largest source for iron and steel, after UAE and Pakistan (15.4%) and fourth largest source of inorganic chemicals (4.8%) and electrical machinery (4.6%) in 2022.

Table 3.1: India's Major Exports to Oman

HS Code	Product	2012 (US$ million)	2022 (US$ million)	% Share in India's Exports to Oman, 2022	% Share of Oman in India's Global Exports, 2022
	India's Exports to Oman	**2,376.1**	**4,720.6**	**100.0**	**1.0**
27	Mineral fuels, oil and products	1,189.9	2,285.7	48.4	2.3
89	Ships, boats and floating structures	190.0	300.9	6.4	9.0
72	Iron and steel	100.5	245.1	5.2	1.6
28	Inorganic chemicals	4.1	198.3	4.2	6.2
10	Cereals	127.9	195.1	4.1	1.4
85	Electrical machinery and equipment	96.6	164.9	3.5	0.6
29	Organic chemicals	15.0	149.2	3.2	0.7
84	Machinery and mechanical appliances	98.7	129.0	2.7	0.5
73	Articles of iron or steel	97.6	98.9	2.1	1.0
69	Ceramic products	5.1	74.7	1.6	3.1
39	Plastics and articles	25.6	64.3	1.4	0.8
02	Meat and edible meat offal	42.3	52.7	1.1	1.6
87	Vehicles other than railway or tramway	60.5	50.6	1.1	0.2
33	Essential oils and resinoids	6.0	48.6	1.0	2.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	13.8	41.2	0.9	0.5

Source: ITC Trade Map and India Exim Bank Research

India's Imports from Oman

Mineral fuel and oil (mostly crude oil and natural gas) remain the largest items imported by India from Oman, accounting for 62.5% in India's imports from Oman in 2022 **(Table 3.2)**. Other major products imported by India from Oman include fertilisers which accounted for 14.3% of India's import from Oman in 2022, followed by ships, boats and floating structures, and plastics and its articles. At a disaggregated level, India mostly imports crude petroleum, urea, LNG, methanol, polypropylene, lubricating oil, aluminium and dates from Oman.

Table 3.2: India's Major Imports from Oman

HS Code	Product	2012 (US$ million)	2022 (US$ million)	% Share in India's Imports from Oman, 2022	% Share of Oman in India's Global Imports, 2022
	India's Imports from Oman	**1,913.8**	**8,896.2**	**100.0**	**1.2**
27	Mineral fuels and oils	399.2	5,563.1	62.5	2.0
31	Fertilisers	329.6	1,270.8	14.3	7.4
89	Ships, boats and floating structures	-	527.2	5.9	7.4
39	Plastics and articles	20.7	327.4	3.7	1.4
25	Salt; sulphur; earths and stone	82.1	324.2	3.6	6.8
29	Organic chemicals	390.8	238.8	2.7	0.8
28	Inorganic chemicals	26.7	131.9	1.5	1.0
76	Aluminium and articles	118.4	115.8	1.3	1.6
15	Animal, vegetable fats and oils	0.1	90.8	1.0	0.4
85	Electrical machinery and equipment	3.3	54.9	0.6	0.1
88	Aircraft, spacecraft and parts	0.2	46.8	0.5	1.3
72	Iron and steel	398.0	44.5	0.5	0.3
68	Articles of stone, plaster and cement	30.9	31.9	0.4	3.1
33	Essential oils and resinoids	0.2	23.5	0.3	1.7
38	Miscellaneous chemical products	0.9	15.8	0.2	0.2

Note: "-" implies nil or negligible

Source: ITC Trade Map and India Exim Bank Research

According to the Export Potential Map of International Trade Centre, India has an untapped export potential of US$ 1.7 billion to Oman, while Oman has an untapped export potential of US$ 617 million to India as its competitiveness is concentrated in a limited number of industries in the current scenario, which can be realized by addressing the trade barriers by both the countries.

India-Oman Services Trade

India and Oman maintain a strong and dynamic trade relationship, particularly in the services sector, where they have established a robust economic partnership, leveraging their individual strengths for mutual growth and development. The foundation of India-Oman services trade relations lies in their shared commitment to fostering economic growth, technological advancement and social development. Strategic partnerships across various sectors create a synergistic effect, propelling both nations forward. As the global landscape evolves, India-Oman services trade relations are poised to play an increasingly pivotal role, setting an example for other nations seeking mutually beneficial collaborations in the services sector. Various sectors, including information technology, healthcare, education and tourism, contribute to the broad spectrum of services trade between the two nations.

A cornerstone of their services trade is the Information Technology (IT) sector, where Indian IT companies have been instrumental in driving Oman's technological progress through innovative solutions and services. The collaboration between Indian IT firms and Omani businesses not only enhances industry efficiency but also significantly contributes to Oman's digital transformation. This exchange of expertise in IT services creates a mutually beneficial relationship, evolving over time.

In healthcare, India plays a crucial role, with its healthcare professionals making substantial contributions to Oman's healthcare sector. Collaborative initiatives such as the exchange of medical personnel, joint research projects and the establishment of healthcare facilities have strengthened Oman's healthcare infrastructure. This partnership improves healthcare accessibility for Omani citizens and stimulates medical tourism, with Omani patients seeking services from renowned Indian healthcare institutions.

The education sector sees meaningful collaborations between India and Oman, with Indian universities welcoming Omani students and providing diverse courses. Reciprocally, Omani institutions actively participate in educational and cultural exchange programs, fostering knowledge exchange and strengthening cultural ties, thereby deepening the understanding and appreciation of each other's cultures.

Tourism is another growing sector of cooperation, driven by the rich cultural heritage and natural beauty of both nations. Collaborative efforts in tourism services, promotional initiatives and infrastructure development contribute to the growth of the tourism sector in both countries. This not only boosts economic growth but also enhances cross-cultural understanding.

In Oman, the service sector accounts for the highest share in the sectoral composition of the GDP and constitutes a crucial component of the overall policy of economic diversification. According to the OECD-WTO Balanced Trade in Services (BaTIS) dataset, trade in services between Oman and India has increased significantly from 2010 to 2021, during which India's services exports to Oman grew by 79%, while Omani services exports to India grew by 31.3%.

While the share of India's services exports to Oman may be smaller in comparison to the GCC countries such as UAE, the substantial growth rate witnessed in the last decade is remarkable. India's services exports to Oman have nearly doubled, underscoring India's burgeoning potential in the country. This signals a significant opportunity for India that can be gauged through a similar trade agreement of UAE with Oman to amplify its influence in the area through the expansion of its services trade, emphasizing the growing importance of these markets in India's global economic engagement. Among India's services exports to Oman, telecommunications, computer and information services accounted for the largest share (34.6%) in 2021, followed by transport (28.9%), other business services (25.3%) and travel (3.4%) **(Table 3.3)**. India could seek increased access to the Omani market for business services and computer and information services.

Table 3.3: India's Services Exports to Oman (US$ million)

Product/Sector	2010	2015	2019	2020	2021
India's Services Exports to Oman	**245**	**348**	**456**	**386**	**439**
Commercial services	244	347	454	385	437
Government goods and services	1	2	2	1	2
Goods-related services	-	1	1	1	1
Maintenance and repair services	-	1	1	1	1
Transport	70	84	118	99	127
Travel	19	30	50	15	15
Other commercial services	155	232	285	271	294
Construction	1	2	15	10	10
Insurance and pension services	4	6	6	7	8
Financial services	14	14	9	9	10
Telecommunications, computer and information services	58	87	130	140	152
Personal, cultural and recreational services	1	1	2	2	2
Other business services	79	120	123	103	111

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010

Table 3.4 represents the services imported by India from Oman. Transport services accounted for 45.1% of India's services imports from Oman in 2021, followed by travel (20.6%), telecommunications, computer and information services (10.8%), and other business services (8.8%).

Table 3.4: India's Services Imports from Oman (US$ million)

Product/Sector	2010	2015	2019	2020	2021
India's Services Imports from Oman	**70**	**93**	**138**	**94**	**102**
Commercial services	68	89	133	90	100
Government goods and services	2	4	5	3	2
Goods-related services	-	1	6	4	4
Maintenance and repair services	-	1	6	4	4
Transport	28	39	64	46	46
Travel	25	36	44	18	21
Other commercial services	15	13	19	23	29
Construction	2	3	5	4	4
Insurance and pension services	-	1	1	1	1
Financial services	5	3	2	3	3
Telecommunications, computer and information services	2	2	5	8	11
Personal, cultural and recreational services	1	-	1	-	1
Other business services	5	5	6	7	9

Note: "-" implies nil or negligible

Source: WTO - OECD Balanced International Trade in Services EBOPS 2010

Revealed Comparative Advantage Analysis and Trade Potential

The negotiations for India-Oman Comprehensive Economic Partnership Agreement (CEPA) have set the stage for enhancing future bilateral partnership. The CEPA would be a pivotal step in strengthening India's economic and strategic presence in the Middle East. The India-Oman CEPA is expected to be a comprehensive agreement, building upon India's offers to UAE under India-UAE CEPA and is expected to encompass a wide range of subjects including goods, services, government procurement and intellectual property.

However, an FTA/CEPA will only be beneficial if there exists complementarity between the export supply of one country to the import demand of the other country. It is generally understood that complementarity in the trade structure of the countries' facilitates more export and import between them and there is scope for mutual benefit from this increased trade. Thus, it is important to assess the level of complementarity between India and Oman while analysing the feasibility of a prospective trade agreement between both the countries.

The trade complementarity index (TCI) is a useful tool, which can provide information on feasibility and prospects for intra-regional trade. A TCI between both the countries shows how well the structures of foreign trade of India and Oman fit to understand the utility of a trade agreement. To sum up, the TCI measures the extent to which a country's export profile matches the import profile of the partner country, in the sense that what a country exports overlaps with what the other country imports and provides an indication of the prospects for greater trade flows. It is a normalized index taking values between 0 and 100, with higher values denoting greater complementarity. The TCI was first proposed by Kojima Kiyoshi and perfected by Peter Drysdale in 1967 and the major proponents of the TCI (Michaely, 1996 and Yeats, 1998) argue that the higher the value of the trade complementarity index, the more favourable the outcome of a proposed trade agreement would be on its potential members.

The TCI between countries 'k' and 'j' is defined as:

$$\boxed{TCI_{ij} = 100\ (1 - \text{sum}\ (|m_{ik} - x_{ij}|\ /\ 2))}$$

where,

x_{ij}: Share of good 'i' in Global Exports of Country 'j'

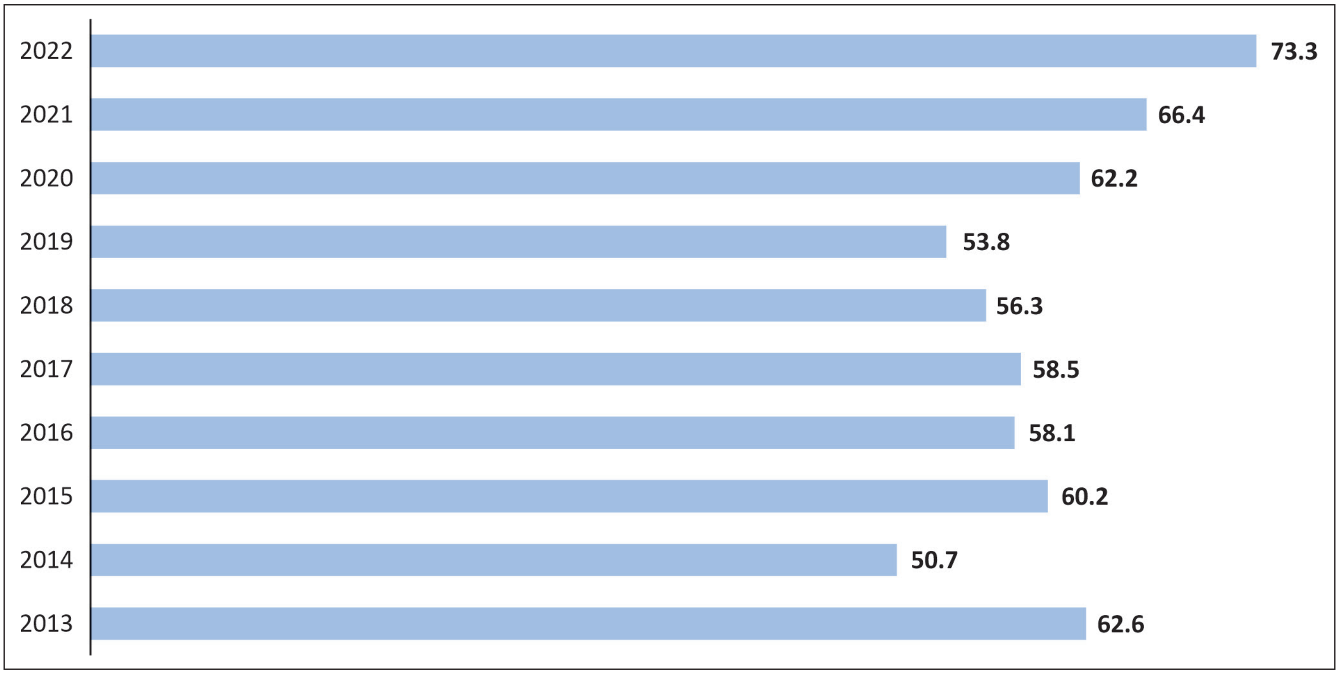
m_{ik}: Share of Good 'i' in Global Imports of Country 'k'

The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

Merchandise Trade Complementarity Between India and Oman

During the period 2013-2022, the complementarity index for profile of Indian exports to Oman's imports ranges from 50.7 to 73.3. The index shows the highest value in 2022 at 73.3 **(Chart 3.2)**. This indicates a substantial complementarity in India's exports and Oman's imports. India's export profile matches with the import profile of Oman which indicates that India's exports have a corresponding demand in Oman. Overall, the value of the index is rising which shows that India's export profile is converging towards Oman's import profile.

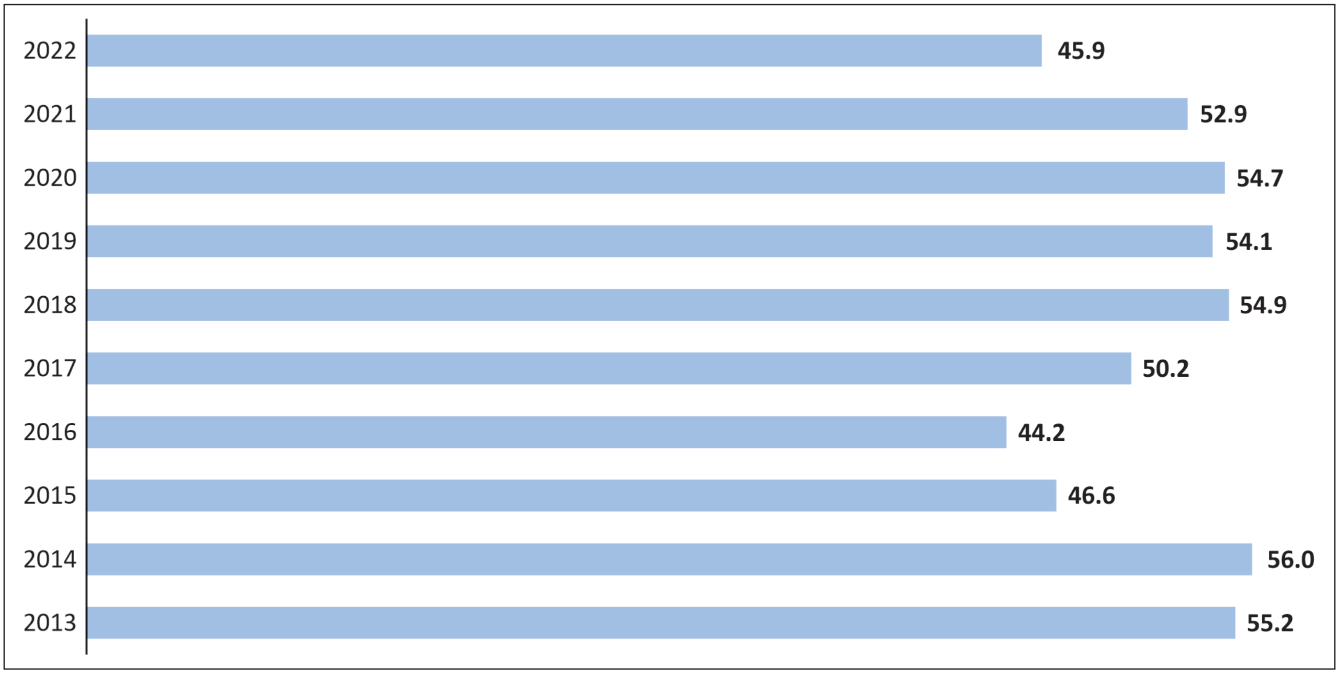
Chart 3.2: India's Merchandise Exports Complementarity with Oman



Source: WITS Database, World Bank and India Exim Bank Research

During the period 2013-2022, the complementarity index for Oman's exports profile to India's imports ranges from 44.2 to 56.0 **(Chart 3.3)**. The index reveals the lowest value in 2016. Oman's export profile has largely remained stable with index value of above 50 against the import profile of India which indicates that Oman's exports have a corresponding demand in India. However, Oman must develop further capabilities and competitiveness in goods that are imported by India in order to expand its exports to India.

Chart 3.3: Oman's Merchandise Exports Complementarity with India



Source: WITS Database, World Bank and India Exim Bank Research

Revealed Comparative Advantage Analysis of India's Merchandise Exports to Oman

Analysing the key products where India has comparative advantage and match it with Oman's import demand for these products are necessary for an India-Oman CEPA to be successful. Quantification of comparative advantage will help in identification of products where exports from India have been performing well, as also those where success has been limited, although opportunities are significant.

Revealed Comparative Advantage (RCA) is a measure which have been used extensively to help assess a country's export potential/competitiveness. It helps in identifying categories of exports in which an economy has a comparative advantage by way of comparison of the country's trade scenario with the world scenario. It can also provide useful information about potential trade prospects with new partners. The basic assumption underlying the concept of revealed comparative advantage is that the trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects.

As per Balassa's (1965) measure, RCA index for country I for commodity j is:

$$\boxed{RCA_{ij} = (x_{ji}/X_i) \;/\; (x_{jw}/X_w)}$$

where,

x_{ji}: Exports of Commodity 'j' from Country 'i'

X_i: Total Exports of Country 'i'

x_{jw}: Total Exports of Commodity 'j' from World

X_w: Total World Exports

The RCA index ranges from 0 to infinity, with 1 as the break-even point. That is, an RCA value of less than 1 means that the product does not have a comparative advantage, while a value above 1 indicates that the product has a comparative advantage.

Since the RCA analysis is used in regard to one country's export profile with reference to the world, the above formula of revealed comparative advantage has been modified to assess India's competitiveness in bilateral trade relations with Oman.

$$\boxed{RCA_{iju} = (x_{iju}/X_{iu}) \;/\; (x_{wju}/X_{wu})}$$

where,

x_{iju}: India's Exports of commodity 'j' to Oman

X_{iu}: India's Total Exports to Oman

x_{wju}: World's Exports of commodity 'j' to Oman

X_{wu}: World's Total Exports to Oman

The Normalized Revealed Comparative Advantage (NRCA) index demonstrates the capability of revealing the extent of comparative advantage that a country has in a commodity with more precision and consistency. NRCA can be defined in the following manner.

$$NRCA_{iju} = (RCA_{iju-1} / RCA_{iju+1})$$

NRCA ranges from -1 to 1, with 0 as the breakeven point. That is, an NRCA value of less than 0 and greater than -1, means that the product has no export comparative advantage, while a value above 0 and less than 1, indicates that the product has a comparative advantage. The extent of comparative advantage/disadvantage can be gauged from the proximity of the NRCA values to the extreme data points, viz. +1 and -1.

The export competitiveness of India has been mapped with respect to Oman's demand. This has been undertaken with a view to outline a market specific approach for exporters. An overarching analysis has been attempted in order to identify products from the industries for which India has existing capabilities in exporting to Oman. These products are the potential export growth drivers from India to Oman and could be suitably targeted. The section also attempts to identify the products where India could focus on, to realize potentially higher values of exports to Oman, especially when considering that India already possesses manufacturing capabilities for these products. The objective of the exercise is to construct a product market matrix for products in demand in Oman, so that necessary actions and policies can be formulated in the direction to enhance exports of these potential products from India to Oman.

Following are the considerations in the analysis:

- **Time Period:** The time period considered for the analysis is 2011-2022.
- **Product Limit:** Only those products at 6-digit HS code level with a minimum export value of US$ 0.5 million from India to Oman is considered in the analysis.
- **Parameters in Consideration:** The analysis in this section considers two major determinants of India's performance in Oman, namely, the NRCA for products and average annual growth rate (AAGR) of Oman's global imports.

Based on these three considerations, a four-quadrant matrix is prepared for product identification. The four quadrants imply the following:

Product Champions (Product Import AAGR of Oman > World Import AAGR of Oman; Positive NRCA): These products have the maximum potential, as Oman's import demand for these products has shown robust AAGR over the period 2011-2022, while India's exports of these products to Oman are also competitive, reflected in positive NRCA values for such products. These are the products with maximum export potential to Oman and India needs to further expand its exports of these products in order to take advantage of its competitive position and achieve a greater market share in Oman.

Underachievers (Product Import AAGR of Oman > World Import AAGR of Oman; Negative NRCA): India does not have required competitiveness in these products although their import demand has grown in Oman significantly over the period under consideration. India can strive towards building capacities and capabilities in these identified products. These are the products in which India can diversify in the medium to long term to continue being a strategic trade partner to Oman and further expand its bilateral ties with Oman.

Winners in Declining Markets (Product Import AAGR of Oman < World Import AAGR of Oman; Positive NRCA): India has competitiveness in these products, even though Oman's import AAGR for these products has been declining. These products may not have much demand in the future and hence, scarce resources from these sectors could be diverted to other sectors where demand expectations are positive.

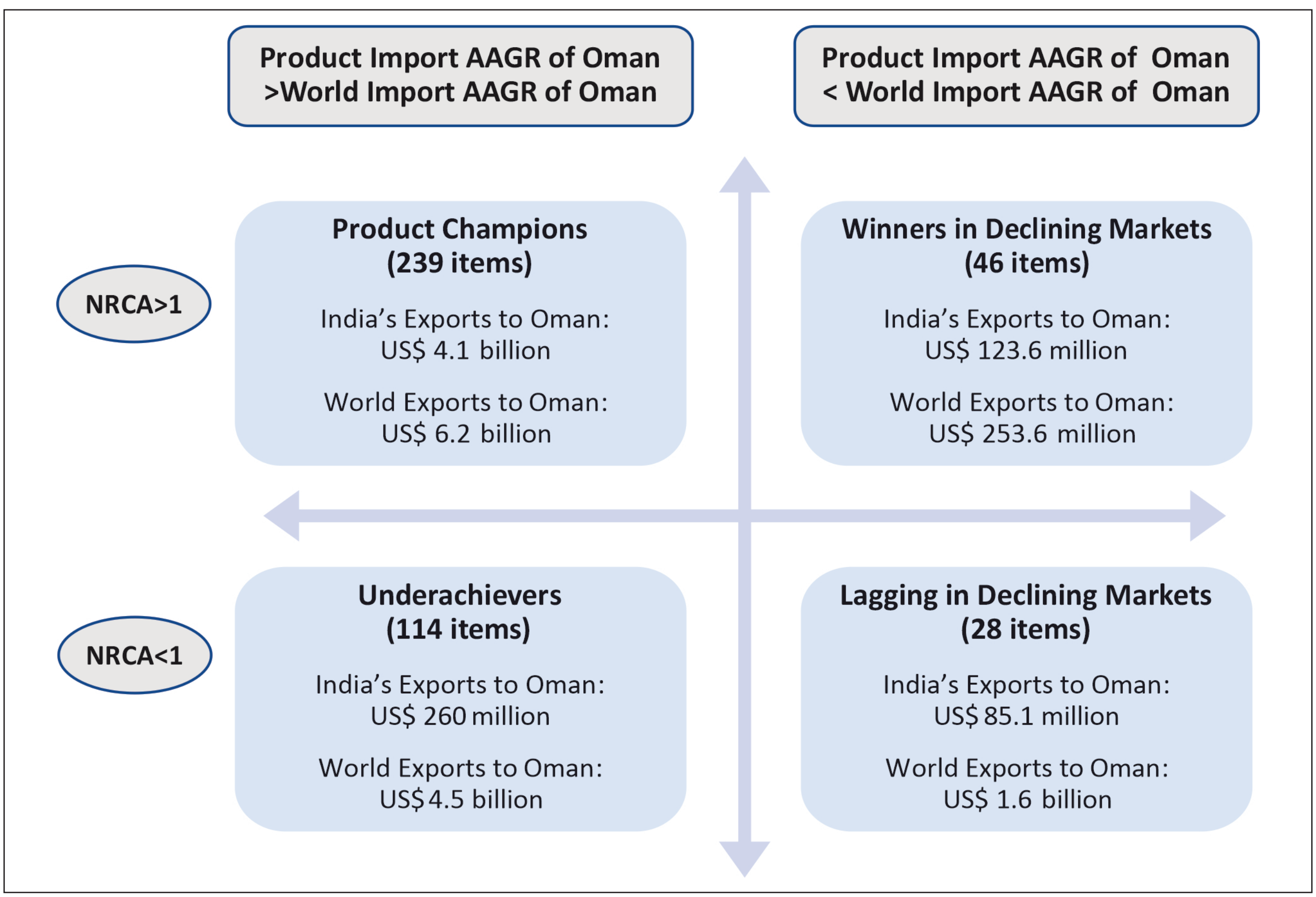
Lagging in Declining Markets (Product Import AAGR of Oman < World Import AAGR of Oman; Negative NRCA): India has limited competitiveness in these products and these sectors have also registered weak import demand in Oman during the period under consideration.

Product Identification Based on Competitiveness

To identify products based on their export competitiveness in Oman, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level, whilst calculating their NRCA and mapping them against the AAGR of global imports of Oman for all products. The quadrants are drawn by comparing the overall AAGR of global imports of Oman for all products during 2011-2022 (which was 0.8%), to the NRCA of India's exports to Oman for these products during the same period **(Chart 3.4)**.

This exercise aims to identify those products where imports in Oman over the period 2011-2022 have performed better than the overall average of Oman for all products during this period, implying that the share of such products in Oman's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US$ 0.5 million from India to Oman, 427 products have been identified, with total exports from India to Oman amounting to US$ 4.6 billion while the total global imports by Oman in the same products stood at US$ 12.6 billion in 2022.

Chart 3.4: Identification of Products with Export Potential from India to Oman (2022)



Source: ITC Trade Map and India Exim Bank Research

Out of the 427 items at the HS 6-digit level, 239 items fell into the category of product champions. The combined exports of these items from India to Oman were US$ 4.1 billion in 2022, representing approximately 87.2% of India's exports to Oman in 2022. Major product champions are provided in **Table 3.5**.

Table 3.5: List of Top 15 Product Champions from India to Oman (HS 6-digit level)

HS Code	Product Label	India's Exports to Oman (US$ million)	% Share in India's Total Exports to Oman	Global Imports of Oman (US$ million)	% Share in Global Imports of Oman
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	1,920.0	40.7	2,729.7	12.4
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	249.1	5.3	324.7	1.5
281820	Aluminium oxide (excl. artificial corundum)	178.0	3.8	496.1	2.3
890510	Dredgers	148.9	3.2	148.9	0.7
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	133.0	2.8	220.4	1.0
290919	Acyclic ethers and their halogenated, sulphonated, nitrated or nitrosated derivatives	103.0	2.2	103.0	0.5
270750	Aromatic hydrocarbon mixtures of which >= 65% by volume, incl. losses, distils at 250°C	102.8	2.2	102.8	0.5
100199	Wheat and meslin (excl. seed for sowing and durum wheat)	56.7	1.2	153.3	0.7
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels of heading 8901)	55.4	1.2	107.5	0.5
890120	Tankers	50.8	1.1	50.8	0.2
20230	Frozen, boneless meat of bovine animals	49.1	1.0	54.8	0.2
720230	Ferro-silico-manganese	45.2	1.0	45.5	0.2
720510	Granules, of pig iron, spiegeleisen, iron or steel (excl. granules of ferro-alloys, turnings)	40.0	0.8	40.8	0.2
854231	Electronic integrated circuits as processors and controllers, whether or not combined	37.8	0.8	40.8	0.2
690721	Ceramic flags and paving, hearth or wall tiles, of a water absorption coefficient by weight	37.3	0.8	54.0	0.2

Source: ITC Trade Map and India Exim Bank Research

The total number of products in winners in declining markets category is 46, with India's exports amounting to US$ 123.6 million and constitute a share of 2.6% of India's exports to Oman in 2022. These are the product items in which India has attained a significant share in Oman's import basket, but Oman's import demand for these products has been falling in the last decade **(Table 3.6)**.

Table 3.6: List of Top 15 Products in Winners in Declining Markets Category from India to Oman (HS 6-digit level)

HS Code	Product Label	India's Exports to Oman (US$ million)	% Share in India's Total Exports to Oman	Global Imports of Oman (US$ million)	% Share in Global Imports of Oman
854411	Winding wire for electrical purposes, of copper, insulated	17.1	0.4	17.5	0.1
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar)	11.3	0.2	15.4	0.1
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	8.4	0.2	27.2	0.1
290123	Butene "butylene" and isomers	6.3	0.1	11.4	0.1
720851	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils	5.4	0.1	11.7	0.1
40590	Fats and oils derived from milk and dehydrated butter and ghee (excl. natural butter, recombined)	4.8	0.1	7.4	-
250100	Salts, incl. table salt and denatured salt and pure sodium chloride, whether or not in aqueous	4.8	0.1	5.9	-
690722	Ceramic flags and paving, hearth or wall tiles, of a water absorption coefficient by weight	4.1	0.1	8.5	-
401180	New pneumatic tyres, of rubber, of a kind used on construction, mining or industrial handling	3.8	0.1	9.4	-
220830	Whiskies	3.7	0.1	10.9	-
390791	Unsaturated polyallyl esters and other polyesters, in primary forms (excl. polycarbonates)	3.5	0.1	5.1	-
300420	Medicaments containing antibiotics, put up in measured doses "incl. those for transdermal administration"	3.2	0.1	12.8	0.1
740710	Bars, rods and profiles, of refined copper	3.1	0.1	3.7	-
842139	Machinery and apparatus for filtering or purifying gases (excl. isotope separators and intake)	3.1	0.1	13.7	0.1
732599	Cast articles of iron or steel (excl. articles of non-malleable cast iron and grinding)	2.9	0.1	3.3	-

Note: "-" implies negligible

Source: ITC Trade Map and India Exim Bank Research

This was followed by underachievers with 114 items with India's exports worth US$ 260 million to Oman. These products constitute a share of 5.5% in India's total exports to Oman in 2022. These are the product items in which import demand in Oman market is rising, but India has limited competitiveness in the export of these items **(Table 3.7)**.

Table 3.7: List of Top 15 Products in Underachievers Category from India to Oman (HS 6-digit level)

HS Code	Product Label	India's Exports to Oman (US$ million)	% Share in India's Total Exports to Oman	Global Imports of Oman (US$ million)	% Share in Global Imports of Oman
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	24.9	0.5	189.1	0.9
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excl. pressure-reducing valves)	18.3	0.4	161.3	0.7
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils	13.4	0.3	67.8	0.3
720837	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils	11.7	0.2	72.3	0.3
260112	Agglomerated iron ores and concentrates (excl. roasted iron pyrites)	9.4	0.2	465.1	2.1
841112	Turbojets of a thrust > 25 kN	6.9	0.1	167.5	0.8
853720	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	6.3	0.1	30.4	0.1
730429	Casing and tubing, seamless, of iron or steel, of a kind used in drilling for oil or gas	5.9	0.1	325.0	1.5
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	4.7	0.1	42.6	0.2
711319	Articles of jewellery and parts, of precious metal other than silver	4.5	0.1	69.6	0.3
841989	Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment	4.4	0.1	21.1	0.1
847989	Machines and mechanical appliances	3.9	0.1	50.5	0.2
841370	Centrifugal pumps, power-driven (excl. those of subheading 8413.11 and 8413.19, fuel, lubricating)	3.9	0.1	34.7	0.2
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	3.9	0.1	41.4	0.2

Source: ITC Trade Map and India Exim Bank Research

The high range of exports under the category of declining sectors highlight the need for diversification to other sectors as well as industries which have greater scope for exports in the future. If the scarce resources are not diverted, then excess of supply to these sectors facing limited demand in Oman market would result in further fall in the prices in the future. Thus, a significant shift needs to be made from the declining sectors to the product champions in the short run and underachievers in the medium to the long run, in order to make efficient utilization of resources and further enhance exports from India to Oman. Further, the analysis suggests strengthening the existing products in the category of product champions in order to exploit the full potential of these products which are already showing a robust growth in Oman market, whilst India's exports also hold a comparative advantage in them.

Tariff Analysis of India and Oman

This section elucidates upon the effectively applied tariff imposed by India and Oman bilaterally. Customs duties on merchandise imports are called tariffs. Tariffs give a price advantage to locally produced goods over similar goods which are imported, and they raise revenues for governments. Effectively applied tariff (AHS) is the actual tariff imposed upon the country by a partner country. WITS database of the World Bank uses the concept of effectively applied tariff which is defined as the lowest available tariff. If a preferential tariff exists, it will be used as the effectively applied tariff. Otherwise, the most favoured nation (MFN) tariff will be used. The importing country will apply the MFN tariff if the product fails to meet the country's rules that determine the product's country of origin.

Tariff on India's Imports from Oman

In the current analysis, tariffs at 6-digit HS code imposed by India on its imports from Oman is taken into consideration, using TRAINS based WITS data for the year 2021. **Table 3.8** disintegrates the simple average of the effectively applied tariff (AHS) imposed by India on imports from Oman. It is the effectively applied tariff that the Omani exporters face while exporting to India. There are 47 tariff lines (at 6-digit HS code) which are duty free and amounted to total imports of US$ 894.4 million in 2021. There are 46 tariff lines under the 1%-5% effectively applied tariff rate, which corresponded to 2.5% of India's imports from Oman in 2021, amounting to US$ 147.1 million.

Table 3.8: Effectively Applied Tariff on India's Imports from Oman in 2021

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	% Share in Total Imports
0	47	894.4	15.3
01-05	46	147.1	2.5
05-10	487	1,385.3	23.8
10-15	600	338.1	5.8
15-25	233	10.1	0.2
≤ 25	121	32.1	0.6
Rate Not Specified	47	3,020.2	51.8
Total	**1,581**	**5,827.3**	**100.0**

Source: WITS database and India Exim Bank Research

There are 487 tariff lines under 5%-10% band of AHS, which correspond to 23.8% of India's imports from Oman in 2021, amounting to US$ 1,385.3 million. Subsequently under the 10%-15% effectively applied tariff rate, there are 600 tariff lines, which correspond to 5.8% of the total imports in 2021, amounting to US$ 338.1 million. The 15%-25% effectively applied tariff rate corresponds to marginal 0.2% of imports in 2021. 121 tariff lines face effectively applied tariff equal to or above 25%, with the total import share of only 0.6% in 2021. The WITS database has 47 tariff lines with undefined AHS, corresponding to 51.8% of imports in 2021. The largest imported commodity by India from Oman under the undefined tariff category is petroleum oils (HS-270900), with imports amounting to US$ 2.8 billion in 2021.

Tariff on Oman's Imports from India

The tariffs imposed by Oman on India's exports at 6-digit HS code level using TRAINS based WITS data is analysed in **Table 3.9**. There are 485 tariff lines (at 6-digit HS code), Oman's imports for which amount to US$ 346.9 million in 2021, on which Oman imposes the effectively applied tariff of 0%. These products constitute 22.2% of Oman's imports from India in 2021. There are 76 tariff lines that have effectively applied tariff rate of 1%-4.9%, which amounted to total imports of US$ 9.6 million from India in 2021 and this correspond to meagre 0.6% of the total imports of Oman from India in 2021.

Table 3.9: Effectively Applied Tariff on Oman's Imports from India in 2021

Effectively Applied Tariff Rates (%)	No. of Tariff Lines	Total Imports (US$ million)	% Share in Total Imports
0	485	346.9	22.2
01-4.9	76	9.6	0.6
05	3,780	1,199.7	76.9
< 05	32	4.3	0.3
Rate Not Specified	7	473.7	30.4
Total	**4,380**	**2,034.1**	**100.0**

Source: WITS database and India Exim Bank Research

There are 3,780 tariff lines, with imports from India amounting to US$ 1.2 billion under the 5% effectively applied tariff, which correspond to 76.9% of Oman's imports from India in 2021. Further, there are 32 tariff lines, with Oman's imports from India amounting to US$ 4.3 million, facing effectively applied tariff of greater than 5%. The WITS database has 7 tariff lines with undefined AHS, corresponding to 30.4% of imports in 2021.

Tariff Liberalisation Under a Free Trade Agreement

Tariff liberalization remains an important aspect of any trade agreement. This section will focus upon the cases where the tariffs/ import duties could be reduced by India and Oman on each other's products to a certain level, which will subsequently lead to rise in the level of bilateral trade between both the countries.

An FTA is a change in the trade policy and thus its impact is to be comprehended and studied in detail. The current analysis used the Single Market Partial Equilibrium Simulation Tool under the WITS-SMART Simulations Framework to understand the trade effect of an FTA between India and Oman. The SMART is a partial equilibrium modelling tool used for market analysis, which focuses on one importing market and its exporting partners and assesses the impact of a tariff change scenario by estimating new values for a set of variables. The Armington model is the basis for the SMART simulation package of the WITS. Partial equilibrium implies that the analysis only considers the effects of a given policy action in the market(s) that are directly affected. The analysis does not account for the economic interactions between the various markets in a given economy. In a general equilibrium setup, all markets are simultaneously modelled and interact with each other.

Assumptions of the Model

- **Price Taker:** The exports supply of a given good by a particular country is related to the price that it fetches in the export market. The degree of responsiveness of the export supply to the changes in the export price is termed as the export supply elasticity. One of the assumptions of the SMART is the infinite export supply elasticity. The slope of the supply curve is infinite and world prices are exogenously given.
- **Imperfect Substitution:** There is an imperfect substitution between different import sources. The goods imported from two different countries, although similar are imperfect substitutes.

Under the SMART modelling framework, tariff liberalization affects not only the price levels of composite good (aggregate consumption of that commodity), but also the relative price levels of that good from different countries. Thus, within the Armington assumption, the representative country maximizes its welfare through a two-stage optimization process. First stage is through change in total spending due to change in price index on a composite good, which is termed as import demand elasticity. Second stage is through the allocation of the chosen level of spending among the different sources/ countries depending on its relative prices, which is termed as the substitution elasticity. To sum up, tariff liberalisation will lead to changes in the overall spending on that good (import demand elasticity) as well as the changes in the composition of the sourcing of that good among different import partners (substitution elasticity). Post-tariff liberalisation, both these changes will affect the bilateral trade flow between the countries.

The output from the SMART framework decomposes these trade impact into trade creation and trade diversion. Trade creation is defined as the direct increase in imports following a reduction in tariff imposed on a given good from the partner country. Trade diversion is defined as further increase in imports of that good from partner country due to the substitution, away from imports of other countries as these goods have become relatively more expensive. The SMART also calculates the impact of the trade policy change (tariff liberalisation due to preferential agreement) on the tariff revenue, consumer surplus and the welfare of the importing country.

In the current analysis, following are the inputs that have been fed in the SMART framework:

- **Product Selection Nomenclature:** The HS combined is the nomenclature used in the product selection. The HS combined nomenclature combines all current and historical revisions of HS. Products are selected by clusters up to 6-digit HS Code.
- **Time Period:** The considered time period for the analysis is 2021 (as per the latest available data on WITS).
- **New Duty Rates:** Tariffs have been reduced with a linear cut, with India's tariff on Oman (Case 1) being reduced by 92% on all the exported products from Oman to India, while Oman's tariff on India (Case 2) being reduced by 97% on all the exported products from India to Oman.
- **Import Demand Elasticity:** The corresponding values used in the analysis are system generated, which by default in the SMART are the same for all reporters but may vary by product.

- **Export Supply Elasticity:** The SMART model assumes that an increase in demand for a given product due to tariff liberalization will always be matched by the producers and exporters of that good, without any impact on the price of the good. In the current analysis, the export supply elasticity value is taken as 99, based on the assumption that there will be no export supply constraint and the export supply is highly elastic.
- **Substitution Elasticity:** Import substitution elasticities define the degree of substitution between two goods from different countries. In the SMART, the import substitution elasticity is considered to be 1.5 for each good by default, the value should be greater than one, as consumption of the commodity will rise with the fall in the relative prices. Hence, there will be a positive shift in import demand towards the partner country away from other countries (having no preferential agreement).

Case 1: Tariff Liberalisation by India on Imports from Oman

Reporting Country: India

Partner Country: Oman

Linear Tariff Cut: 92%

Trade Effect

A tariff liberalisation by India on its imports from Oman will result in a trade effect, which can be decomposed into trade creation and trade diversion. According to the SMART framework analysis with the above-mentioned conditions and inputs, tariff liberalisation will lead to a total trade effect of US$ 809.6 million, implying that under preferential agreement, India's imports from Oman will increase by US$ 809.6 million. In the total trade effect, total trade creation will constitute US$ 679.1 million, which is the additional import due to fall in the price level subsequent to fall in the tariffs. Total trade diversion will be US$ 130.4 million, which is the increased imports from Oman away from other partners due to fall in the relative price levels post-tariff liberalisation.

Moreover, at 2-digit HS code, post-tariff liberalisation, it is derived that 53.3% of the total trade effect (inclusive of trade creation and trade diversion) is accounted for by salt, sulphur, earths, stone, plastering materials, lime and cement (HS-25); followed by stone, plaster, cement, asbestos, mica or similar materials (HS-68; 21.8%); mineral fuels, mineral oils and products (HS-27; 9.5%); inorganic chemicals (HS-28; 2.2%) and organic chemicals (HS-29; 1.8%). Together, these 5 products amounted to more than 88% of the total trade effect after tariff liberalization **(Table 3.10)**.

Table 3.10: Products having Maximum Trade Effect Post-Tariff Liberalisation by India on Imports from Oman

HS Code (2-digit)	Product	Trade Creation Effect (US$ million)	Trade Diversion Effect (US$ million)	Total Trade Effect (US$ million)	Share in Total Trade Effect (%)
25	Salt, sulphur, earths, stone and plastering materials	420.9	10.4	431.3	53.3
68	Stone, plaster, cement, asbestos, mica	175.1	1.2	176.3	21.8
27	Mineral fuels, mineral oils and products	19.4	57.2	76.6	9.5
28	Inorganic chemicals	7.7	10.4	18.1	2.2
29	Organic chemicals	5.5	9.3	14.8	1.8

Source: WITS database and India Exim Bank Research

Revenue Effect

With tariff liberalization, the tariffs will go down, impacting the revenue from the tariff. The impact can be both positive and negative. Negative revenue (loss) is generated when the direct impact of the fall in the tariff revenue post signing of the preferential agreement is greater than the positive tariff revenue generated due to the positive trade effect (trade creation and trade diversion). Positive revenue is generated when the gain in tariff revenue due to positive tariff effect exceeds the loss in revenue due to tariff liberalization. In case of tariff liberalization by India on its imports from Oman, the overall change in the revenue for India will account for a loss of (-) US$ 114.6 million.

At 2-digit HS Code level, the major tariff revenue loss by India will be on mineral fuels, mineral oils and products (HS-27) amounting to US$ 46.0 million, followed by ships, boats and floating structures (HS-89), inorganic chemicals (HS-28), salt, sulphur, earths, stone and plastering materials (HS-25) and plastics and articles (HS-39), among others **(Table 3.11)**.

Table 3.11: Products having Maximum Tariff Revenue Loss Post-Tariff Liberalisation by India on Imports from Oman

HS Code (2-digit)	Product	Negative Revenue Effect (US$ million)
27	Mineral fuels, mineral oils and products	-46.0
89	Ships, boats and floating structures	-13.8
28	Inorganic chemicals	-9.1
25	Salt, sulphur, earths, stone and plastering materials	-8.2
39	Plastics and articles	-8.0

Source: WITS database and India Exim Bank Research

Case 2: Tariff Liberalization by Oman on Imports from India

Reporting Country: Oman

Partner Country: India

Linear Tariff Cut: 97%

Trade Effect

According to the output generated by the SMART framework, tariff liberalization by Oman on imports from India would result in a total trade effect of US$ 145.2 million, implying that under the preferential agreement, Oman's imports from India will increase by US$ 145.2 million. In the total trade effect, total trade creation would constitute US$ 91.1 million, which is the additional imports by Oman from India due to fall in price levels subsequent to fall in tariff levels. Total trade diversion will be of US$ 54.1 million, which is the increased imports from India away from the other partners due to fall in the relative price levels post-tariff liberalization. Price effect is zero since the model has assumed infinite price elasticity.

At 2-digit HS code, post-tariff liberalization, it can be analyzed that 12.1% of the total trade effect (inclusive of trade creation and trade diversion) is accounted for by iron and steel (HS-72), followed by machinery and mechanical appliances (HS-84; 11.4%), iron or steel articles (HS-73; 10.1%), ores, slag and ash (HS-26; 6.9%)

and edible fruit and nuts; peel of citrus fruit or melons (HS-08; 6.1%). Together, these 5 products constitute 46% of the total trade effect after tariff liberalization **(Table 3.12)**.

Table 3.12: Products having Maximum Trade Effect Post-Tariff Liberalisation by Oman on Imports from India

HS Code (2-digit)	Product	Trade Creation Effect (US$ million)	Trade Diversion Effect (US$ million)	Total Trade Effect (US$ million)	Share in Total Trade Effect (%)
72	Iron and steel	12.2	5.4	17.6	12.1
84	Machinery and mechanical appliances	10.0	6.5	16.5	11.4
73	Articles of iron or steel	9.4	5.3	14.7	10.1
26	Ores, slag and ash	3.0	7.0	10.0	6.9
08	Fruit and nuts, edible; peel of citrus fruit or melons	8.7	0.1	8.8	6.1

Source: WITS database and India Exim Bank Research

Revenue Effect

With tariff liberalization, the tariffs will go down and hence, the revenue from the tariff will be impacted. The impact can be both positive and negative. Negative Revenue (loss) is generated when the direct impact of fall in tariff revenue (post signing of the preferential agreement) is greater than the positive tariff revenue generated due to the positive trade effect (trade creation and trade diversion). Positive revenue is generated when the gain in tariff revenue due to positive tariff effect exceeds the loss in revenue due to tariff liberalization. In case of tariff liberalization by Oman on India's exports, the overall change in the revenue will account for a loss of US$ 59.9 million for Oman.

At 2-digit HS Code level, the major tariff revenue loss by Oman will be on iron or steel articles (HS-73), followed by iron and steel (HS-72), ores, slag and ash (HS-26), machinery and mechanical appliances (HS-84) and beverages, spirits and vinegar (HS-22) **(Table 3.13)**.

Table 3.13: Products having Maximum Tariff Revenue Loss Post-Tariff Liberalisation by Oman on Imports from India

HS Code (2-digit)	Product	Negative Revenue Effect (US$ million)
73	Articles of iron or steel	-7.9
72	Iron and steel	-6.8
26	Ores, slag and ash	-6.1
84	Machinery and mechanical appliances	-5.5
22	Beverages, spirits and vinegar	-3.5

Source: WITS database and India Exim Bank Research

In general, a comprehensive trade and investment agreement between countries will not take place if its benefits are skewed towards a single party. The aim of a trade and investment agreement is mutual benefit of all parties concerned and in case if one party is losing in one aspect of the deal, then the other party should be compensated through gains in other aspects. Thus, India will have to decide those aspects where it is willing to sacrifice, so that it is getting the benefits from other aspects which compensate for that loss. To ensure that the benefits of the CEPA do not outweigh its losses, the government could exempt the industries vulnerable to excess exports from the CEPA from full liberalization in the short run and list them under its exclusion list. In the long run, the government can offer production linked incentives and subsidies to these sectors to boost their competitiveness and maximize production.

India's Position in the Value Chain of Oman

In the current analysis, India's exports to Oman have been classified in the context of the value chain. Globalisation, falling trade costs and technological progress have driven the international fragmentation of production and the development of international production/supply chains. These changes to the way in which goods and services are produced, has resulted in manufacturing processes being split into different stages so that intermediate inputs may be sourced from the most efficient producers, even if they are spread across disparate locations.

WITS classifies the trade of goods into different stages of processing which are raw materials, intermediate goods, consumer goods or capital goods. The raw materials and intermediate goods are used as inputs for further production. Consumer goods and capital goods are generally considered as finished goods as they are ready to provide their utility. Trade of intermediate goods reflects a country's participation in global value chains.

The purpose of this classification is to provide a comprehensive understanding of the current standing of India's exports in Oman's value chain. By delineating these categories, it aims to shed light on strategic opportunities for India to improve and elevate its position within the value chain. This involves a nuanced exploration of how India can enhance its role, potentially by focusing on the production and export of higher-value goods or by optimizing its existing contributions to the value chain.

The overarching goal is to enable India to ascend the value chain, a process that holds the promise of yielding greater profits for the country. As India refines its position in the value chain, it is anticipated that the economic benefits derived from exports to Oman will be amplified. This strategic enhancement is envisioned not only to bolster financial gains but also to fortify the overall resilience and competitiveness of India's exports to Oman. Currently, India mostly exports consumer goods to Oman, with a share of 43.8% in total exports, followed by intermediate goods and raw materials **(Table 3.14)**.

Table 3.14: Classification of Oman's Imports from India in terms of Broad Use Category, 2021

Product Category	Simple Average MFN	Weighted Average MFN	No. of Tariff Lines	Oman's Imports from India (US$ million)	% Share in Imports
Raw materials	3.31	3.92	269	267.6	13.2
Intermediate goods	4.86	4.84	1,181	499.4	24.6
Consumer goods	5.57	3.78	1,775	890.3	43.8
Capital goods	4.18	4.40	820	200.2	9.8
Unclassified	-	-	335	176.6	8.7
Total Imports from India	**-**	**-**	**4,380**	**2,034.1**	**100.0**

Source: WITS database and India Exim Bank Research

India-Oman imports data reveals that India mostly imports raw materials from Oman, amounting to US$ 3.0 billion, with trade taking place in relatively smaller number of tariff lines **(Table 3.15)**. India has the highest number of tariff lines for consumer and capital goods, significantly impacting the overall import values of the respective goods. While the high number of tariff lines can be seen as an attempt from India to protect its domestic producers from price shocks and global competition, India may review its import tariff arrangement, especially concerning capital goods, to encourage investment in local manufacturing. India could take cues from Japan's method of effectively utilizing imports by reducing duties on essential intermediate and capital goods, as excessively high import duties might discourage foreign investors.

Table 3.15: Classification of India's Imports from Oman in terms of Broad Use Category, 2021

Product Category	Simple Average MFN	Weighted Average MFN	No. of Tariff Lines	India's Imports from Oman (US$ million)	% Share in Imports
Raw materials	7.90	5.42	100	3,047.9	52.3
Intermediate goods	8.52	3.00	390	1,511.9	25.9
Consumer goods	15.89	5.37	578	964.5	16.6
Capital goods	9.48	6.71	457	273.7	4.7
Unclassified	-	-	56	29.3	0.5
Total Imports from Oman	**-**	**-**	**1,581**	**5,827.3**	**100.0**

Source: WITS database and India Exim Bank Research

An India-Oman trade agreement would open avenues for India to broaden its export footprint beyond UAE, presenting a unique opportunity in the GCC region, with Oman as a promising prospect. This strategic approach recognizes the nuanced yet converging import demands, laying the groundwork for India's enhanced market penetration and economic engagement in Oman beyond UAE and Saudi Arabia in the GCC.

Oman presents a substantial untapped market for India, offering a promising prospect for growth through strategic tariff liberalization. In essence, this analysis serves as a roadmap for India, offering insights into the specific areas and approaches through which it can fortify its position, maximize profits and foster sustained growth in its exports to Oman. By implementing targeted tariff adjustments on these specific potential products, both nations stand to benefit from increased bilateral trade and strengthened economic collaboration. This strategic move not only addresses the existing demand patterns but also lays the foundation for a mutually advantageous relationship, fostering shared growth and prosperity. India's recognition of this untapped potential in Oman reflects a proactive approach to expanding its economic footprint in the GCC region, fostering a robust and harmonious partnership for the future.

The potential tariff liberalization facilitated by a prospective India-Oman trade agreement holds the promise of strengthening India's export position in Oman. This anticipated agreement is expected to render Indian exports more competitive, thereby potentially increasing India's share in Oman's import landscape.

Chapter 4

Foreign Direct Investment in Oman

Foreign Direct Investment (FDI) has the potential to bring enormous benefits to the recipient country. Establishment of industries in a country enhances the competition and productivity in the domestic market. According to the UNCTAD's World Investment Report 2023, FDI inflows to Oman reached US$ 3.7 billion in 2022, showing a slight decline from US$ 4 billion in 2021. Over the last decade, investment has quickened in Oman, stemming from the development of the Special Economic Zones and other radical regulatory amendments creating investor friendly environment.

The new Foreign Capital Investment Law (the New FCIL) which was published in July 2019, effective from January 2020, replaced the earlier Foreign Capital Investment Law issued in 1994. The New FCIL has significantly relaxed the rules and restrictions on foreign investment, streamlined the registration and licensing procedures for foreign investors and aligned foreign investors' rights and incentives to those given to local investors. One of the biggest changes in the new FCIL was allowing 100% foreign ownership in a number of sectors.

The new FCIL adopted in 2020 and the abolition of foreign ownership limits have been welcomed by the international community. It relaxed restrictions on foreign investment, streamlined the registration and licensing procedures for foreign investors and aligned foreign investors' rights and incentives to those given to local investors. According to the IMF, special economic zones (SEZs) have also attracted substantial foreign investment, though there is scope to further stimulate spillover effects from these economic zones to the local economy.

Oman has 28 Bilateral Investment Treaties (BITs), with countries including, Algeria, Austria, Belarus, Bulgaria, China, Croatia, Egypt, Finland, France, Germany, Iran, Italy, Japan, Jordan, South Korea, Lebanon, Morocco, Netherlands, Pakistan, Singapore, Sudan, Sweden, Switzerland, Tunisia, Turkey, the UK, Uzbekistan and Yemen. Although Oman does not have a BIT with the US, US-Oman FTA contains a chapter governing investment.

According to Financial Times' fDi Markets[3], during January 2013 to December 2022, Oman received a total envisaged investment of US$ 61.8 billion from 448 projects **(Table 4.1)**. Having recorded US$ 2.6 billion in 2013, FDI inflows into Oman averaged around US$ 6.1 billion during the period 2014 to 2021. The envisaged

[3] fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time and can channel their investment through different countries for tax efficiency.

inflows increased significantly to US$ 10 billion in 2022, stemming majorly from the new FCIL which has significantly relaxed the rules and restrictions on foreign investment.

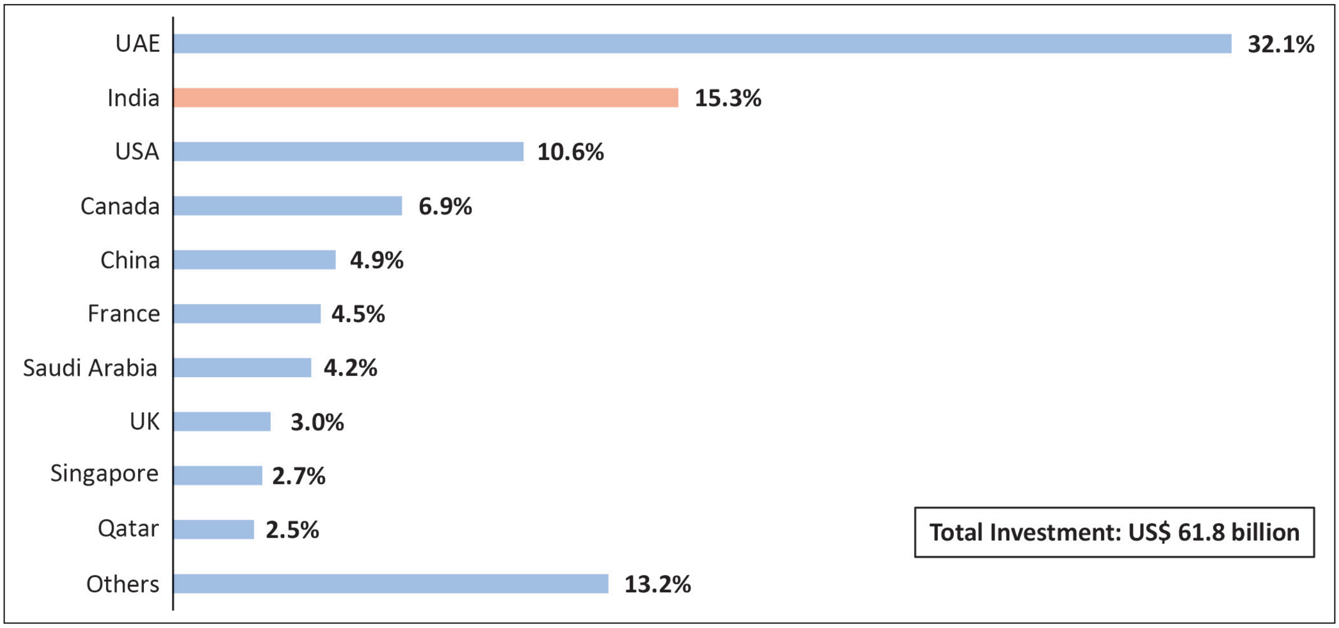
Table 4.1: Envisaged FDI Inflows in Oman (2013-2022)

Year	No. of Projects	Capital Expenditure (US$ million)	No. of Jobs Created	No. of Companies Invested
2013	58	2,647.1	7,142	44
2014	44	5,304.8	5,356	40
2015	42	1,658.7	3,446	31
2016	36	3,247.1	5,111	30
2017	39	4,720.7	7,263	34
2018	58	19,735.2	10,603	45
2019	60	3,360.2	6,116	53
2020	26	6,408.3	2,958	24
2021	35	4,707.5	5,055	30
2022	50	10,004.5	9,979	45
Total	**448**	**61,794.2**	**63,029**	**294**

Source: fDi Markets online database and India Exim Bank Research

As shown in **Chart 4.1**, maximum investment in Oman were recorded from UAE, accounting for 32% of total capex invested in the country during January 2013 to December 2022. India was the second largest investor, with a share of 15%, followed by the US (11% of total investment), Canada (7%) and China (5%). India's investment amounted to US$ 9.5 billion through 63 projects, generating 13,404 jobs during the same time period.

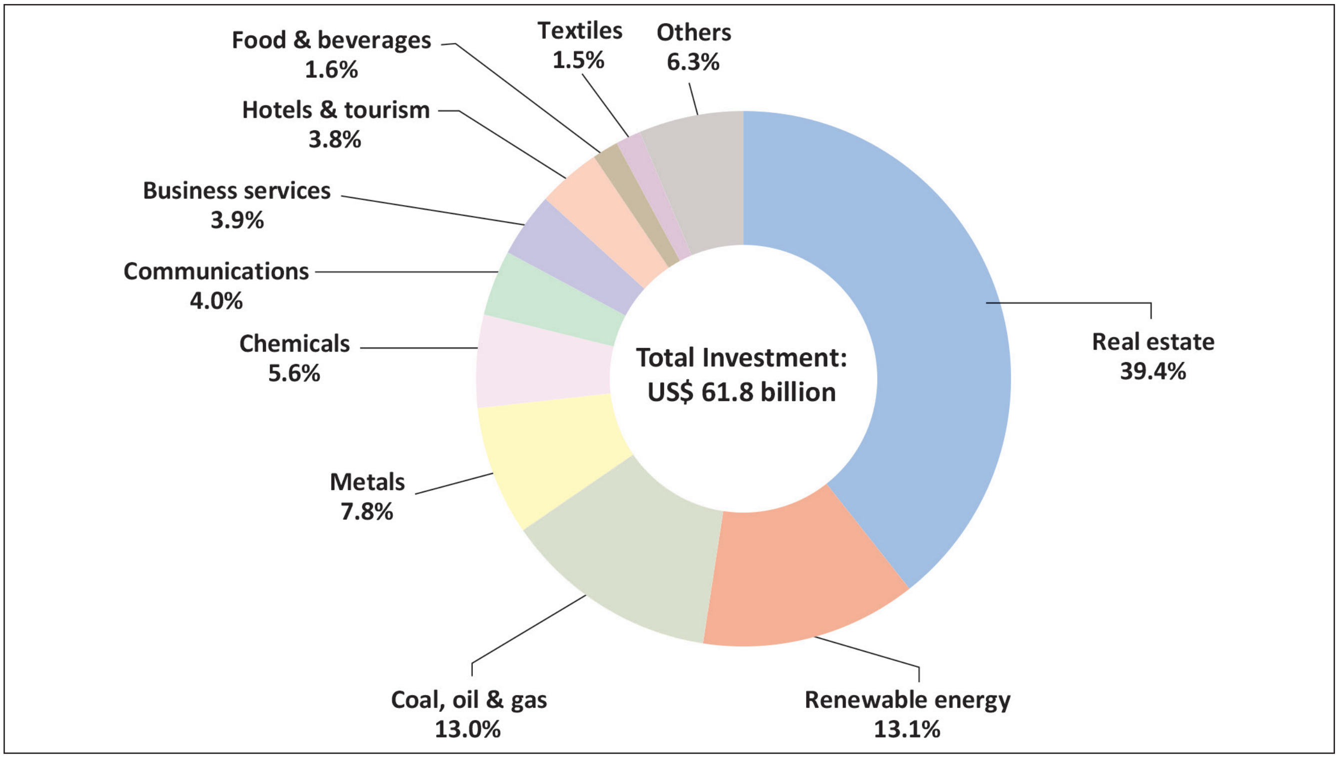
Chart 4.1: Major Investors in Oman (2013-2022)



Source: fDi Markets online database and India Exim Bank Research

Real estate sector received the maximum capex investment of US$ 24.3 billion, accounting for 39.4% of the total FDI inflows received during January 2013 to December 2022 **(Chart 4.2)**. This was followed by investments in renewable energy (US$ 8.1 billion), coal, oil and gas (US$ 8 billion), metals (US$ 4.8 billion), chemicals (US$ 3.5 billion), communications (US$ 2.4 billion), business services (US$ 2.4 billion), hotels and tourism (US$ 2.4 billion), food and beverages (US$ 1 billion) and textiles (US$ 0.9 billion). Maximum number of projects were in communications sector (53 projects), followed by textiles (38 projects) and real estate (33 projects).

Chart 4.2: Major Sectors Attracting FDI in Oman (2013-2022)



Source: fDi Markets online database and India Exim Bank Research

A total outward envisaged investment of US$ 6.2 billion was made by Oman in 89 projects, resulting in 10,210 jobs across the globe from January 2013 to December 2022 **(Table 4.2)**. FDI outflows from Oman which stood at US$ 328.9 million in 2013, going through ups and downs recoded decadal peak of US$ 3.1 billion in 2016.

Historically, FDI outflows from Oman have been limited given the certain economic landscape of the economy. FDI outflows witnessed a severe moderation to reach US$ 7.5 million in 2021 before recovering from the setback of coronavirus pandemic and settling at US$ 749.5 million in 2022.

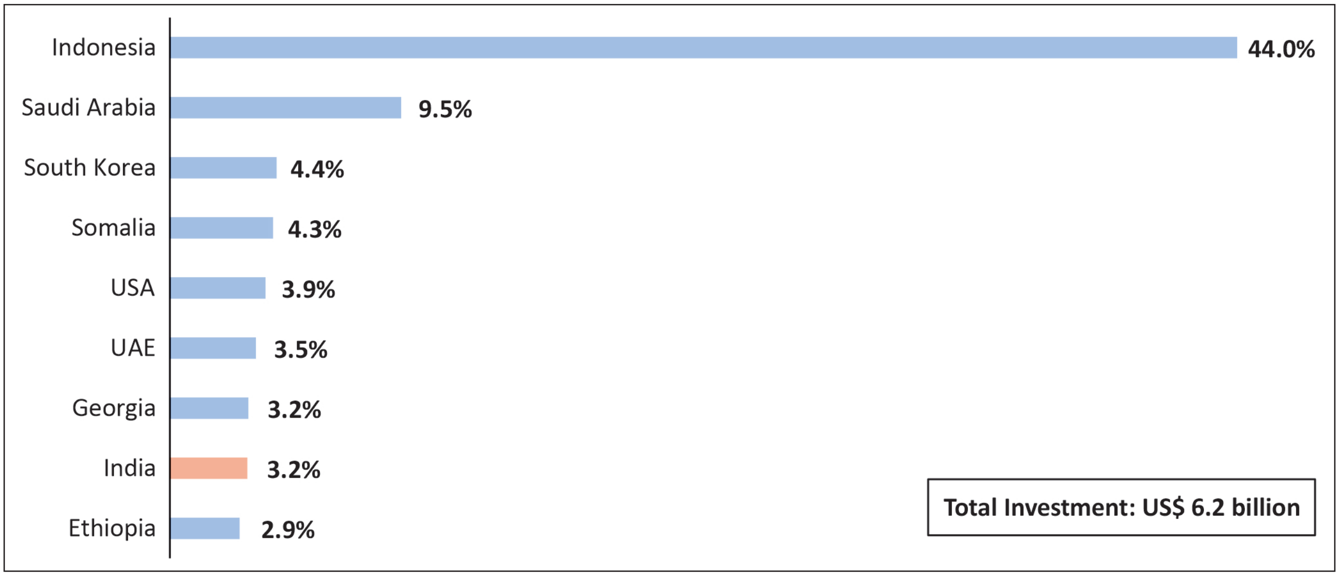
Table 4.2: Envisaged FDI Outflows from Oman (2013-2022)

Year	No. of Projects	Capital Expenditure (US$ million)	No. of Jobs Created	No. of Companies Invested
2013	12	328.9	1,597	8
2014	7	229.2	325	7
2015	14	463.4	271	6
2016	12	3,146.4	1,965	7
2017	7	332.5	936	5
2018	7	336.8	1,502	5
2019	10	465.7	1,402	7
2020	1	139.4	454	1
2021	4	7.5	65	3
2022	15	749.5	1,693	10
Total	**89**	**6,199.4**	**10,210**	**44**

Source: fDi Markets online database and India Exim Bank Research

Indonesia was the largest recipient of envisaged investment from Oman, with a capex investment of US$ 2.7 billion during 2013-2022 **(Chart 4.3)**. Indonesia was followed by Saudi Arabia (US$ 590.6 million), South Korea (US$ 273 million), Somalia (US$ 263.6 million) and the US (US$ 244.3 million). India was the 8th largest destination for envisaged investment flowing from Oman, amounting to US$ 197.8 million.

Chart 4.3: Major Investment Destinations of Oman (2013-2022)

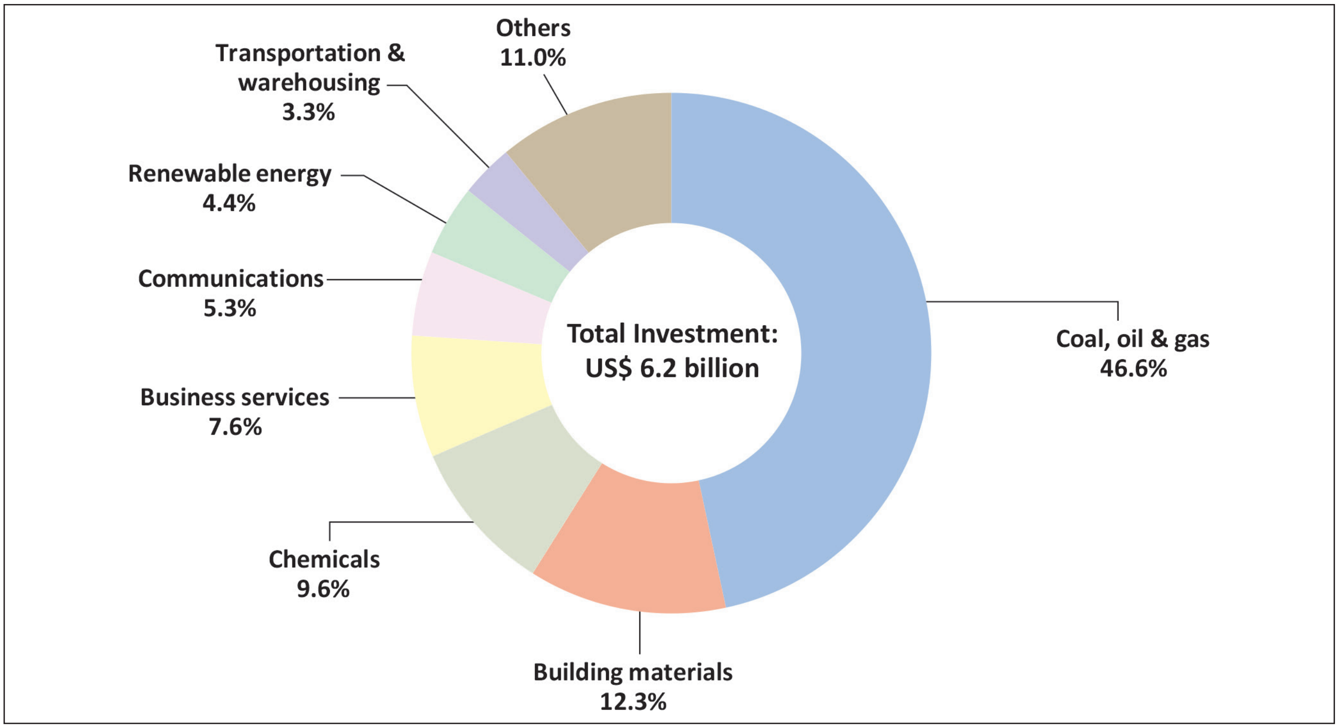


Source: fDi Markets online database and India Exim Bank Research

Coal, oil and gas sector accounted for 46.6% of the envisaged investment flowing out of Oman, amounting to US$ 2.9 billion during 2013-2022 **(Chart 4.4)**. Other major sectors attracting capex are building materials (US$ 763.4 million), chemicals (US$ 593.4 million), business services (US$ 468.8 million), communications (US$ 325.5 million), renewable energy (US$ 273 million) and transportation and warehousing

(US$ 204.1 million). In terms of job creation, building materials, coal, oil and gas, chemicals, transportation and warehousing and business services dominated in the past decade.

Chart 4.4: Major Sectors Attracting FDI from Oman (2013-2022)



Source: fDi Markets online database and India Exim Bank Research

India's Bilateral Investment Relations with Oman

FDI is an important aspect of the economic relations between India and Oman. India has been a major investor in Oman, with a cumulative FDI outflows of US$ 9.5 billion between 2013 and 2022. There are more than 6000 India-Oman joint ventures in Oman. Notably, Indian companies have become prominent investors in Oman, particularly in the Sohar and Salalah Free Zones. There has been limited investment by entities from Oman in India. Overall, the economic relations between India and Oman have been mutually beneficial, with significant potential for further growth and cooperation in the future. Investment flows have been robust in both directions, evident from the establishment of numerous joint ventures in both India and Oman.

India's Investments in Oman

To get a meaningful understanding on the trends in Indian overseas investments, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets. According to Financial Times' fDi Markets, during January 2013 to December 2022, total capital investment of India in Oman stood at a cumulative amount of US$ 9.5 billion, through 63 projects and creating 13,404 jobs in the country **(Table 4.3)**. The total investments in Oman from India between 2013 to 2020 were limited, given the restrictive foreign investment policy of Oman with stringent rules regarding entity ownership. With the implementation of the new Foreign Capital Investment Law (the new FCIL) in 2020, the rules and restrictions on foreign investment have been significantly relaxed, allowing 100% foreign ownership in a number of sectors. Consequently, investments from India to Oman picked up in 2021 to US$ 3.7 billion, before falling back to US$ 3 billion in 2022.

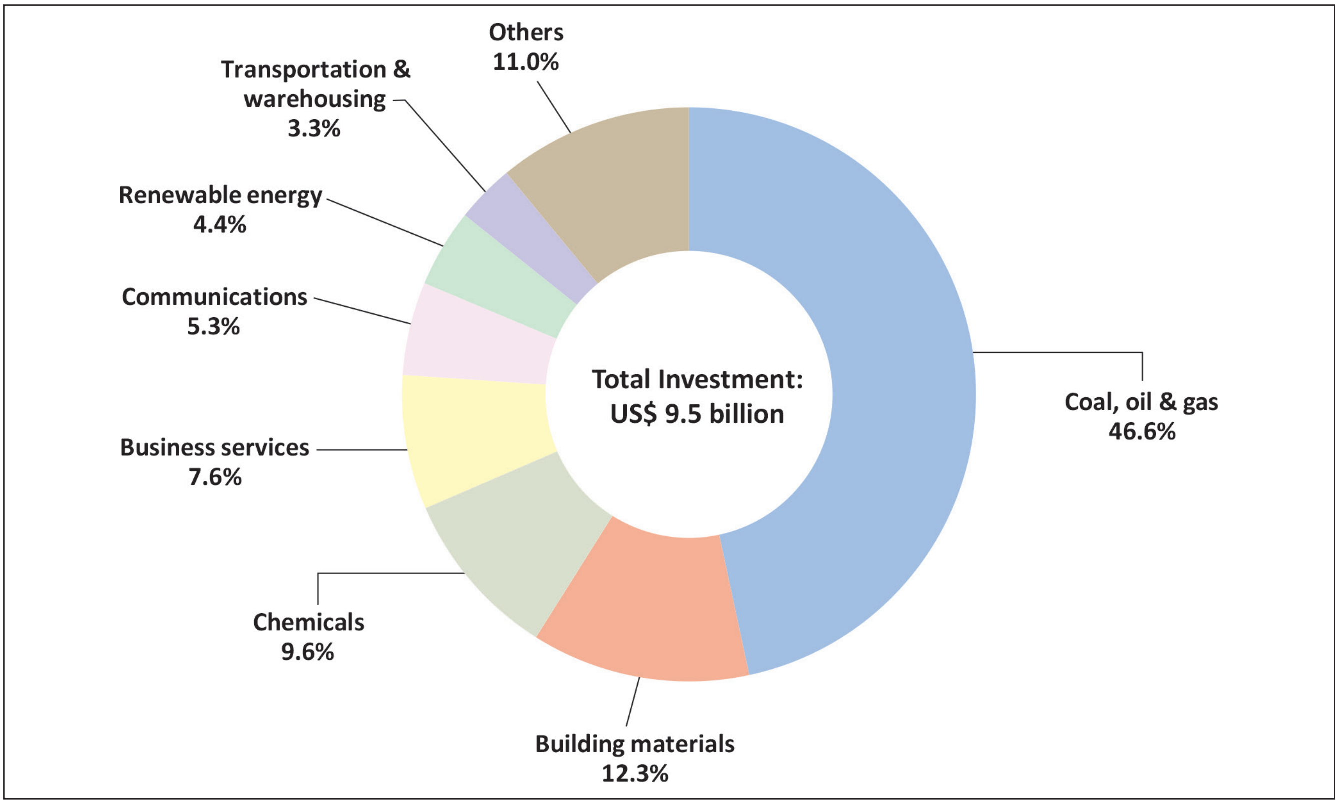
Table 4.3: India's Envisaged Investments in Oman (2013-2022)

Year	No. of Projects	Capital Expenditure (US$ million)	No. of Jobs Created	No. of Companies Invested
2013	8	37.9	319	5
2014	7	102.2	474	6
2015	6	119.4	343	5
2016	5	528.2	813	3
2017	8	732.6	1,795	6
2018	7	575.0	1,277	6
2019	9	652.0	2,435	7
2020	2	18.9	157	2
2021	6	3,680.2	2,549	6
2022	5	3,029.9	3,242	5
Total	**63**	**9,476.3**	**13,404**	**36**

Source: fDi Markets online database and India Exim Bank Research

In terms of capital investments, the largest share has been in coal, oil and gas (46.6% of Indian investments to Oman), building materials (12.3%), chemicals (9.6%), business services (7.6%) and communications (5.3%) **(Chart 4.5)**.

Chart 4.5: Major Sectors Attracting Indian Investments in Oman (2013-2022)



Source: fDi Markets online database and India Exim Bank Research

Oman's Investments in India

According to Financial Times' fDi Markets, during January 2013 to December 2022, total capital investment of Oman in India stood at a cumulative amount of US$ 197.8 million, through 6 projects and creating 1,186 jobs in the country **(Table 4.4)**. Suhail Bahwan Group Holding (US$ 67.5 million), Muscat Projects & Environmental Services (US$ 74.5 million) and National Gas Company (US$ 55.8 million) are the three companies from Oman having investment in India.

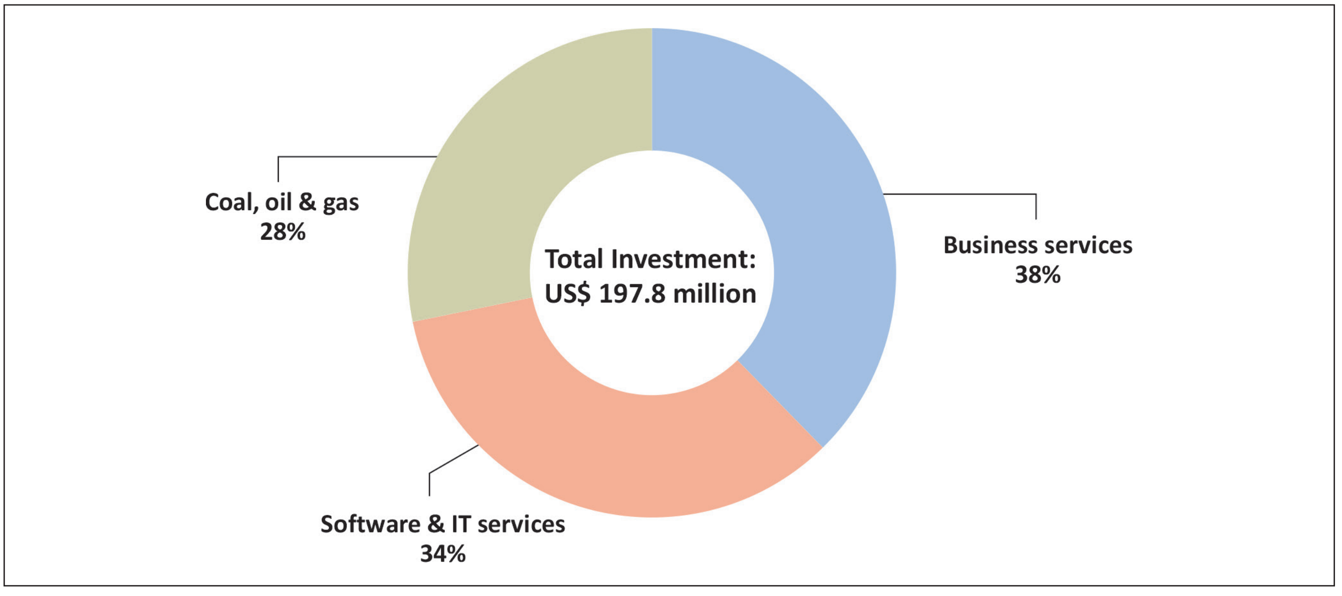
Table 4.4: Oman's Envisaged Investments in India (2013-2022)

Year	No. of Projects	Capital Expenditure (US$ million)	No. of Jobs Created	No. of Companies Invested
Apr 2022	3	60.6	1,029	1
Mar 2022	1	6.9	70	1
Nov 2019	1	55.8	43	1
Mar 2017	1	74.5	44	1
Total	**6**	**197.8**	**1,186**	**3**

Source: fDi Markets online database and India Exim Bank Research

In terms of capital investments, during 2013-2022, three sectors in India have received investments from Oman, including business services (38% of Omani investments to India), followed by software and IT services (34%) and coal, oil & gas (28%) **(Chart 4.6)**.

Chart 4.6: Major Sectors Attracting Oman's Investments in India (2013-2022)



Source: fDi Markets online database and India Exim Bank Research

Chapter 5

Migration and Remittances

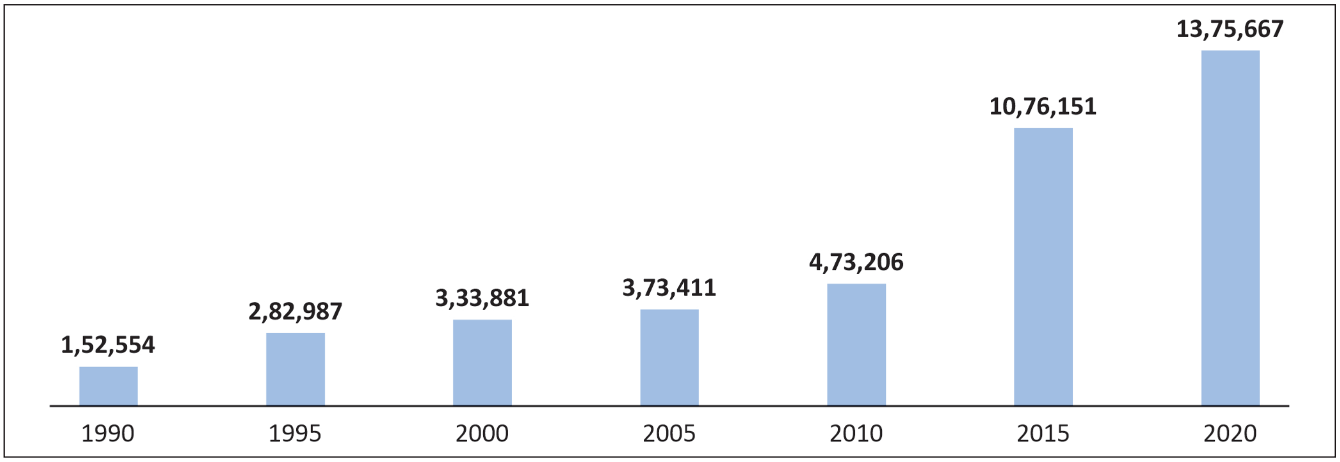
Migration has significant effects on both the individuals relocating and the areas they leave and move to. When accompanied by suitable policies, migration has the potential to foster comprehensive and sustainable development in both the countries of origin and destination, simultaneously providing advantages to migrants and their families. The connections between migration and development, encompassing the potential advantages and obstacles it present, are well-recognized and acknowledged.

Diaspora plays a crucial role in advancing the progress of their countries of origin by fostering foreign investment, trade, innovation and facilitating access to technology and financial inclusion. When migrants return, they not only bring back valuable experiences and knowledge acquired abroad but also actively contribute to their home societies by becoming entrepreneurs and generating employment opportunities. Many nations, especially those with lower and middle-income status, are increasingly exploring ways to harness the potential of their transnational populations. This includes the development of financial tools and inventive financing mechanisms like diaspora bonds, diaspora pension schemes and the securitization of remittance flows.

The expatriate workforce in Oman remains robust and as of April 2023, the total migrant worker population has grown to 1.8 million. The National Centre for Statistics and Information (NCSI), Oman reported that among these expatriates, 403,000 are from India, ranking second after Bangladesh. Notably, approximately 78% of these Indian expatriates are engaged in the private sector, as per the latest data.

According to the United Nations Department of Economic and Social Affairs (UN-DESA), India possesses the world's largest diaspora as of 2020, dispersed among several primary destination countries. UAE (with 3.5 million migrants), the US (2.7 million) and Saudi Arabia (2.5 million) stand as the top hosts for Indian migrants. Additionally, substantial numbers of Indian migrants are found in Australia, Canada, Kuwait, Oman, Pakistan, Qatar and the UK. India boasts the most extensive international community globally. As of 2020, a total of 18 million individuals from India resided outside their nation of origin. According to the same source, India's total migrant stock in Oman in 2020 stood at 13.7 lakhs **(Chart 5.1)**. Out of which, 12 lakhs constituted males, while the females constituted the remaining 1.7 lakhs. India's migration to Oman saw a significant increase in the last decade, with the migrant stock increasing from 4.7 lakhs in 2010 to 13.7 lakhs in 2020.

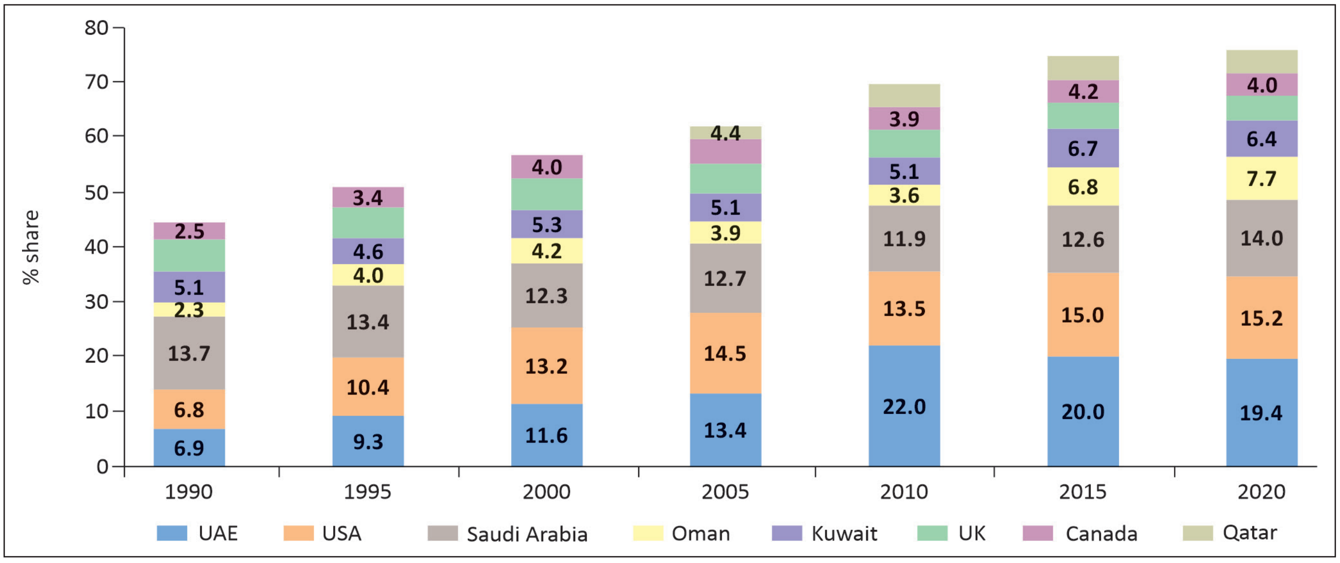
Chart 5.1: Total Migrant Stock from India to Oman



Source: UN-DESA and India Exim Bank Research

Oman, hosting a significant Indian expatriate community as depicted in **Chart 5.2**, emerges as a pivotal source of remittances. The Reserve Bank of India (RBI) in July 2022 estimated that during 2020, 0.1 lakh Indians migrated to Oman, compared to 0.3 lakhs in 2019, 0.5 lakhs in 2017 and 0.9 lakhs in 2015. At the close of 2020, Oman accounted for 7.7% of the total Indian migrant population. Notably, while the share of Indian migrants in UAE decreased from 22% in 2010 to 19.4% in 2020, Oman witnessed a more than two-fold increase from 3.6% in 2010 to 7.7% in 2020. This indicates a growing allure for Indian migrants in Oman, signifying promising opportunities for their skills. As of 2020, it ranks as the fourth primary destination for Indian migrants, following UAE, the US and Saudi Arabia. Oman was the 8th largest destination of Indian Nationals' departures from India during 2022 at 744,022 departures, an increase of 82.5% from 407,667 departures in 2021. Of the total departures in 2022, 19.8% was for business and professional purpose.

Chart 5.2: Distribution of Indian Migrants - Top Host Countries



Source: RBI Remittance Survey, 2021 as published in RBI Bulletin article on remittances, "Headwinds of COVID-19 and India's Inward Remittances", July 2022 and India Exim Bank Research

According to a study conducted by Huntr, a marketplace based in UAE connecting migrant workers with enterprises, there has been a 50% increase in the migration of blue-collar workers from India to the GCC nations during the first seven months of 2023. The surge is attributed to economic opportunities, higher salaries and shifts in migration patterns.

The report, based on a sample size of 1 lakh workers, indicates a noteworthy change in migration patterns. Kerala, traditionally a significant contributor, experienced a drastic 90% decrease over the past decade. Uttar Pradesh (UP) and Bihar have now emerged as the primary contributors to the Gulf migration landscape, filling the void left by Kerala. The top five states sending labor include UP, Bihar, Kerala, West Bengal and Tamil Nadu, with Saudi Arabia, UAE, Qatar, Kuwait and Oman remaining the preferred destinations.

The demographic profile of Indian migrants in 2023 points to a workforce concentrated in the 20-40 age range, reflecting individuals in their prime working years. While historically male-dominated, there is a notable increase in female migrants, particularly in sectors like hospitality. The qualifications of migrants vary widely, ranging from minimal formal education to vocational training tailored to specific job roles.

Looking ahead to 2024, the study predicts a surge in demand for specific job roles in the GCC, including construction workers, manufacturing technicians, hospitality staff and healthcare support staff. This projection aligns with the substantial investment in manufacturing and infrastructure in the region, signalling a strategic move to accommodate the influx of skilled workers from India.

India has the opportunity to benefit from migration to Oman in several ways, fostering both economic and social ties between the two nations. First major benefit is the remittances as Indian migrants in Oman contribute significantly to the flow of remittances back to India. This infusion of funds can positively impact the Indian economy, supporting families and potentially contributing to local development projects. Further, Indian migrants often bring diverse skills and expertise to Oman. As they gain experience in their fields, they can contribute to the development of Oman's economy. Additionally, upon returning to India, they can bring back valuable knowledge and skills that may contribute to the growth of various sectors.

Apart from individual advantages, migration also creates opportunities for enhanced trade relations between India and Oman. Indian businesses can establish partnerships or export products to Oman, fostering economic collaboration and boosting bilateral trade. Additionally, there can be growth in tourism, both medical and educational through migration. Collaboration between educational institutions in India and Oman can be promoted. This can lead to academic partnerships, research collaborations and student exchanges, enhancing the quality of education in both countries.

To maximize these benefits, both governments can work towards creating supportive policies, ensuring the well-being of migrants and promoting initiatives that enhance collaboration between the two nations. Additionally, fostering a sense of community and cultural integration can contribute to the overall positive impact of migration on the relationship between India and Oman.

An agreement between India and Oman could create a promising avenue for Indian migration opportunities. As trade barriers diminish, economic ties strengthen, it will foster increased demand for skilled Indian professionals in Oman's expanding market. The positive impact through a supporting agreement in the Mode 4 in services could lead to a surge in job opportunities especially in sectors like IT, healthcare and infrastructure, attracting Indian talent to contribute to Oman's development. This mutually beneficial arrangement not only facilitates economic growth but also enhances cultural exchange and collaboration. Indian migrants, drawn by the expanding opportunities, can play a pivotal role in catalysing Oman's economic progress within the framework of the agreement.

Remittances from Oman: Resilient Source of Current Account Receipts

Remittances are the second major source of external financing for low and middle-income countries, after foreign direct investment. As a dependable source of external income, remittances contribute substantially to India's current account receipts. The potential of these financial transfers lies in their consistency and resilience, acting as a lifeline for many Indian households. According to the World Bank Report on Migration and Remittances, India was the top recipient country for remittances in 2022, with remittances representing 3.3% of India's GDP in 2022. India represented 63% of South Asia's total remittance flows in 2022. Total remittances to India increased by 24.4% to reach US$ 111 billion, with remittances supported by strong oil prices in the GCC countries and demand for less-skilled migrants. Remittance inflows from the GCC countries accounted for about 28% of India's total remittance inflows in 2022.

Remittances from Oman to India represent a significant and steady financial flow that plays a crucial role in the economic landscape of both nations. Data from the RBI Remittances Survey, 2021 shows that Oman was the 7th largest remittance source for India during 2021-22 **(Table 5.1)**, accounting for 1.6% of the total remittances received in 2020. The funds received through remittances from Oman contribute to household income, support education, healthcare and even drive local economic development. On macro front, India in turn benefits from a reliable influx of foreign currency, helping stabilize its balance of payments.

Table 5.1: Country-wise Share in Inward Remittances to India, 2020-21

Source Country	Share in Total Remittances of India (%)
USA	23.4
UAE	18.0
UK	6.8
Singapore	5.7
Saudi Arabia	5.1
Kuwait	2.4
Oman	1.6
Qatar	1.5
Hong Kong	1.1
Australia	0.7
Malaysia	0.7
Canada	0.6
Germany	0.6
Italy	0.1
Others	31.6

Source: RBI Remittance Survey, 2021 as published in RBI Bulletin article on remittances, "Headwinds of COVID-19 and India's Inward Remittances", July 2022 and India Exim Bank Research

The potential for growth in remittances from Oman to India is significant, driven by factors such as increased economic ties, the ongoing demand for skilled Indian labour in Oman and collaborative efforts between the two nations to facilitate smoother financial transactions. Recognizing and harnessing this potential can contribute to the resilience and growth of both Oman's economy and India's economic well-being. A trade agreement between India and Oman holds the potential to boost economic activities, creating more job opportunities for the significant Indian expatriate community in Oman. With increased bilateral trade, a surge in demand for skilled and unskilled labour is expected from India, resulting in higher income for Indian workers in Oman. As these individuals send a substantial portion of their earnings back home, an augmented trade relationship would naturally lead to increased remittances to India. The synergy between economic growth, job creation and remittance flows reinforce the positive impact of a trade agreement on remittances.

Chapter 6

Way Forward and Recommendations

As the only GCC member state outside the Straits of Hormuz, Oman offers assured Gulf access and shorter shipping times along major maritime routes. Its deep seawater ports and airports provide a gateway to Asian and African markets. The trajectory of the trading partnership and complementarity discussed in the earlier chapters reiterates the significance of the bilateral partnership between India and Oman for each other. Its strategic location within the Arabian Peninsula, internal political stability, a favourable tax regime and strong existing links with India offer significant export opportunities for Indian businesses. India and Oman have witnessed a new dynamism in its relationship in the recent times, with both the economies eager to sign a comprehensive trade agreement to further promote economic partnership. It is time for India and Oman to build on its solid trade and investment engagements and take this relationship to newer heights.

According to Oman Vision 2040, the Omani economy is heading towards a robust base of economic diversification that relies on technology, knowledge and innovation. The government is increasingly seeking to engage the private sector in designing, building, financing and operating public sector infrastructure and services, building on its track record with independent water and power projects. New seaport developments, school buildings and dialysis centers are among the 50 projects Oman is planning to implement under public-private partnership (PPP). India can be a reliable partner in realising Oman's potential as documented in its Vision 2040.

Oman's Vision 2040, characterized by a diversified and developmental strategy, supported by a robust macroeconomic framework and institutional backing, will serve as a catalyst in bolstering India's economic engagement in Oman. India could promote investments from Oman through a liberal foreign investment policy through which foreign services suppliers can easily establish operations in India and collaborate with Indian companies, thus adding to its competence in the global market.

By adopting a collaborative approach, India can further enhance its strategic interests in the nation, unlocking new markets and establishing valuable partnerships. This synergistic approach not only expands India's economic footprint but also positions Oman as a significant market and partner for India's investments and exports, aligning with mutual interests and goals of both nations. A few policy catalysts that could help boost bilateral cooperation are briefly discussed below.

Promoting Medical Tourism

In recent years, India has emerged as a leading destination for medical tourism, attracting a growing number of international patients seeking high-quality, cost-effective healthcare. This trend is particularly evident among individuals from Oman, who increasingly prefer India for medical treatment. During 2022, 56,474 foreign tourists visited India from Oman, increasing from 10,174 arrivals during 2021. Oman accounted for the highest number of tourist arrivals in India from West Asian countries, accounting for 21.7% of tourist arrivals from West Asia in 2022. 19.7% of these tourists visited India for medical purposes. India boasts a robust healthcare infrastructure, comprising world-class hospitals, skilled medical professionals and advanced technology. The country excels in various medical specialties, such as cardiology, orthopaedics and oncology, making it an attractive choice for Omanis in need of specialized care.

One of the key factors driving this trend is the affordability of medical treatments in India compared to many Western countries. Additionally, India's healthcare system emphasizes holistic and integrative approaches, offering alternative therapies like ayurveda and yoga alongside conventional treatments. Understanding and respecting the cultural preferences of Omani patients, including their Islamic beliefs and family-centric values, is crucial for providing them with a comfortable and supportive healthcare experience in India. Promoting these advantages can further enhance India's position as a preferred destination for Omani medical tourists, benefiting both countries economically.

Acknowledging the possibilities within medical tourism, the Omani and Indian governments can initiate measures to encourage cooperation in the healthcare domain. Memorandums of Understanding (MoUs) need to be endorsed, aiming to boost medical tourism and facilitate the sharing of medical knowledge between the two nations. These partnerships are likely to result in more efficient procedures for acquiring medical visas by simplifying the process for Omani patients seeking medical treatment in India.

Collaboration between Indian and Omani healthcare institutions can significantly enhance the prospects of medical tourism. Partnerships, exchange programs and joint ventures can facilitate seamless healthcare services and promote cross-border medical tourism. Indian hospitals and facilitators in the medical tourism sector should acknowledge the importance of addressing the distinct requirements of international patients. Establishing specific divisions and committed teams to support patients with travel logistics, accommodations, translation services and post-treatment care can ensure a stress-free experience for patients from Oman.

To streamline the experience for global patients, Indian hospitals can offer all-encompassing treatment packages covering consultations, diagnostic tests, surgical procedures and post-operative care. These packages provide patients with a transparent overview of the overall cost. Aligning insurance policies and payment mechanisms between India and Oman is also crucial to streamline financial transactions and provide a secure process for medical tourists.

Upholding rigorous quality control measures and accreditation standards are imperative to maintain consistent quality standards in the industry. Collaboration between healthcare authorities in India and Oman is essential to verify that medical facilities and professionals adhere to international benchmarks. Establishing clear guidelines and regulations is necessary to prevent exploitation and safeguard the rights of patients and donors. Addressing these challenges and fostering collaboration can unlock the full potential of medical tourism between India and Oman, benefiting both nations and contributing to the global healthcare landscape.

Collaboration in Green Hydrogen

Oman is at the forefront of promoting clean 'green' hydrogen as a sustainable fuel, despite being a current producer of fossil fuels. With abundant renewable resources and available land, Oman could become a competitive low-emissions hydrogen supplier by the end of the decade. Oman has committed to achieving carbon neutrality by 2050, following the examples set by UAE and Saudi Arabia.

The development of renewable energy and hydrogen presents a pathway for diversifying Oman's economy and energy sources. Oman's high solar radiation levels and substantial wind energy potential make it ideal for large-scale renewable energy projects. Additionally, many countries are interested in expanding the utilization of low-emission hydrogen to reduce carbon emissions in industries and transportation sectors.

Oman stands as one of the leading contenders for the production and export of renewable hydrogen due to decreasing global costs for photovoltaic, wind and electrolysers. The cost of renewable hydrogen in Oman is expected to decrease significantly by 2030, potentially reaching as low as US$ 1.6 per kilogram. Oman is projected to become the sixth-largest global exporter of renewable hydrogen by 2030.

Establishing the necessary infrastructure for hydrogen production entails substantial investments and requires collaborative efforts involving numerous stakeholders. Oman will need to expand its port infrastructure significantly to accommodate the growth in ammonia export capacity. This presents an opportunity for India to increase hydrogen trade and invest in the sector.

Collaboration between India and Oman in green hydrogen development presents promising opportunities. Joint initiatives can harness Oman's renewable resources and India's expertise in green hydrogen technologies. India's experience in research, development and implementation of green hydrogen technologies can contribute to Oman's efforts in achieving sustainable production.

Collaborative projects can extend beyond production to include the development of infrastructure for green hydrogen storage, transportation and utilization in various sectors. This collaboration aligns with the global push for cleaner energy solutions and can position both India and Oman as leaders in the green hydrogen market.

By combining resources, expertise and shared goals, India and Oman can create a mutually beneficial partnership that addresses environmental concerns, fosters economic growth and drives technological innovation in the green hydrogen sector.

Collaboration in Food & Agritech

India and Oman can collaborate in the food and fisheries sector through various avenues to promote mutual economic growth and development. The agricultural sector, recognized as the cornerstone of the Indian economy, constitutes about 16.5% of India's GDP.

As of 2022, the Indian agricultural market was assessed at US$ 435.9 billion[4] and projections anticipate its growth to US$ 580.8 billion by 2028, demonstrating an annual increase at a compound annual growth rate (CAGR) of approximately 4.9% from 2023 to 2028. In the year 2022, there were approximately 450 agritech startups in India, marking a 25% annual rise.

The estimated worth of India's agritech sector opportunity is US$ 24 billion, yet its market penetration remains below 1%. The substantial gap between the potential and the realized value signifies a notable

[4] AgriTech Ecosystem in India, IBEF, October 2023

opportunity for numerous emerging agritech startups, along with prospects for the business development of existing startups.

Oman faces challenges in crop cultivation due to its arid climate and the government is trying to implement various initiatives to promote agricultural development, including the use of modern farming techniques and technologies. Oman has also been working towards enhancing its food security by promoting domestic food production. The government has implemented policies and initiatives to reduce dependency on food imports. The government has encouraged private sector involvement and foreign investment in the agricultural and fisheries sectors to stimulate growth and innovation.

India, through its significant and growing agritech, can engage in technology transfer and training with Oman. Both countries can facilitate the exchange of agricultural technologies between the two countries and organize training programs for farmers to enhance their skills and knowledge. The partners can further collaborate on joint research projects in agriculture, focusing on sustainable practices and disease management while establishing partnerships between research institutions and universities in both countries.

Apart from agriculture, Oman has a rich maritime environment and its fisheries sector is a vital component of the economy. The country's extensive coastline along the Arabian Sea and the Gulf of Oman provides ample opportunities for marine resource exploitation. Oman engages in fish processing and exports a variety of seafood products. The government has invested in modernizing and expanding the fishing industry to enhance its competitiveness in international markets. To meet the growing demand for seafood, Oman has also focused on developing aquaculture. This includes farming of fish, shrimp and other aquatic products.

Year-round fishing is possible due to the favourable climate in Oman, making it the exclusive net exporter of fish in the GCC. Oman contributes more than 31% to the overall fisheries production in the region[5]. The government has intensified its backing to the sector through the Fisheries and Aquaculture Vision 2040, an extensive plan unveiled in December 2015, aiming to transform the sector into a lucrative and environmentally sustainable industry.

Oman is a net exporter of fish in the GCC. India can diversify its sources of seafood by collaborating with Oman, ensuring a stable and varied supply of fish products for the Indian market. Oman has been investing in its fisheries sector, and collaborating with Oman could facilitate the transfer of advanced technologies and best practices to India. This could lead to improvements in fishing methods, breeding methods, aquaculture techniques and overall industry efficiency. A collaboration could open up new markets for Indian seafood products. It could provide Indian fisheries access to the Gulf region and beyond, enhancing export opportunities.

Learning from Oman's Circular Economy

Oman has been making efforts to transition towards a circular economy, which is an economic model designed to minimize waste, make the most of resources and promote sustainability. The circular economy involves reusing, recycling and regenerating materials to create a closed-loop system, reducing the environmental impact of production and consumption.

[5] Agriculture and fishing technologies boost Oman's food security, Oxford Business Group, 2023

Although Oman is still dependent on energy resources, sustainable development forms an important component of Oman Vision 2040. The positive effects of sustainable development on the Omani economy are evident, as seen in the rise of GDP growth, employment rates, FDI and energy consumption.[6]

Oman is focusing on efficient waste management and recycling systems to reduce the amount of waste sent to landfills. This includes recycling materials like plastics, paper and metals. The country is also emphasizing on the efficient use of resources to ensure that materials are utilized to their fullest potential before being discarded. This involves designing products with recycling in mind and promoting eco-friendly manufacturing processes.

Oman is also exploring the integration of renewable energy sources to power its industries, reducing dependence on finite resources and decreasing the environmental impact of energy production. Oman has made notable strides in promoting sustainable waste management, with the establishment of 67 waste recycling facilities. These facilities are responsible for recycling 31% of the overall waste gathered in the country's engineered landfills.

The Indian authorities also have been proactively creating strategies and endorsing initiatives to propel the nation towards a circular economy. India has introduced several regulations, including plastic waste management rules, e-waste management rules, construction and demolition waste management rules and metals recycling policy, among others, to support this objective. Specific efforts have been made by India to tackle issues related to waste utilization as a valuable resource and to develop insights into the recycling industry in India.

India can gain valuable insights by collaborating with Oman in developing and executing policies for a circular economy. The two countries can work together on technology transfer in areas such as waste management, recycling and renewable energy. This collaboration would involve sharing expertise, knowledge and best practices to enhance sustainability efforts. Additionally, joint research initiatives can be established to tackle common challenges and devise innovative solutions for circular economy practices, involving academic institutions, research organizations and industry partnerships.

Facilitating the trade of recyclable materials between Oman and India can further contribute to the circular economy by ensuring efficient resource utilization and recycling. Both countries can benefit from sharing insights and experiences in formulating and implementing policies, including regulatory frameworks, incentives for sustainable practices and waste management strategies. By fostering collaboration in these areas, Oman and India can promote sustainable development, reduce environmental impact and create economic opportunities in line with the circular economy principles.

Enhancing Trade based on Potential

India needs to expand its production and trade in products in which it has comparative advantage with Oman. This would help in expansion of trade and improve trade balance with Oman. The study has already identified potential items of exports which could be targeted by Indian exporters. According to the analysis, in the short term, it is suggested to strengthen the existing products in the category of Product Champions to exploit the full potential for the products which are already showing a robust growth in Oman's market,

[6] The Role of Sustainable Development in Oman's Economy in the Context of Oman Vision 2040, IRE Journals, April 2023

where India's exports also hold a comparative advantage. In the medium to long run, efforts and investments are to be enhanced in Underachievers category products to develop capacities in these products, which will help in coping with the demands in Oman's market in a more competitive manner. The products in the respective categories have been discussed elaborately in earlier chapters.

Services Trade

Both India and Oman have interest in reciprocal market access in services. There lies an underlying opportunity for both India and Oman to align their interests and act in complementarity. This will further boost their partnership and help them increase their share in global services exports. India's score in the 2022 OECD Services Trade Restrictiveness Index (STRI) is high. India could benefit from more open markets for services trade and competition enhancing reforms in key services sectors that overarch the entire economy. India could promote investments from Oman through a liberal foreign investment policy through which foreign services suppliers can easily establish operations in India and collaborate with Indian companies, thus adding to its competence in the global market.

Mutual Recognition Agreements

Mutual Recognition Agreements (MRAs) are bilateral agreements focussed on benefitting industries by providing easier access to conformity assessment, thereby facilitating wider market access and promoting trade. Mutual recognition agreements lay down the conditions under which one Party will accept conformity assessment results (e.g. testing or certification) performed by the other Party's designated conformity assessment bodies (CABs) to show compliance with the first Party's requirements and vice versa. Broadly, MRAs include relevant lists of designated laboratories, inspection bodies and conformity assessment bodies in both India and its trading partners.

Entering into MRAs could significantly expand the market access of India's exports (both goods and services) and lead to better price discovery in partner countries, especially the ones that are also the co-signatories to trade agreements. India is one of the top global suppliers of generic medications, playing a significant role in the global pharmaceutical industry. With increased instances of non-communicable diseases (NCDs) in the Arab countries, there is a growing demand for low-cost high-quality pharmaceutical products. Oman may consider track approval for Indian pharma products that are already registered with the US Food and Drug Administration (USFDA), UK drug regulator MHRA and European Medicines Agency.

Collaboration in Digital Technology

Data is the new oil of the digital economy. Movement of cross-border data is important to promote innovation and investments. The key to the expansion of digital and data services trade between India and Oman is the data protection regimes in both the countries and this need to be in alignment with each other. Data protection is vital; however, it is equally important to ensure that barring personal and sensitive data, non-personal and anonymized personal data can move cross borders, thus promoting new innovations based upon the needs of the consumers. Both partners could agree over an India-Oman Data Adequacy Agreement that facilitates these data movement based on mutual adequacy. The agreement must incorporate clauses that protect the personal data and privacy of the citizens of both the countries and the governments would guarantee the enforceability of these rights.

Financial Sector Collaboration

India's export penetration of financial services in Oman is currently limited. But Oman's dynamic economic landscape presents untapped opportunities for India to expand its presence in the financial sector. As Oman focuses on enhancing its financial services, India can leverage its expertise and innovation in banking, insurance, fintech and related domains. Collaborative initiatives, knowledge exchange and strategic partnerships could be instrumental in meeting Oman's evolving financial needs. With a history of successful financial collaborations globally, India is well-positioned to contribute to Oman's economic diversification. By identifying and capitalizing on these export opportunities, India has the potential to play a significant role in shaping Oman's financial future while bolstering its own economic interests in the GCC region.

Another area for India-Oman enhanced partnership is Fintech and the unification of the payment system. In recent years, India has become a global leader in digital finance and mobile-based payment solutions, with the United Payments Interface (UPI) playing a transformative role in the digital payment landscape. In September 2021, under an agreement, India and Singapore agreed to link their fast payment systems, i.e., linking India's Unified Payments Interface (UPI) to Singapore's PayNow. This development is expected to transform the way money is sent abroad or remitted in India. Starting from February 2023, Indians are able to make transactions with Singapore with the same ease of operating UPI in India. Over the years, the cost of payments for cross-border transactions have become quite expensive and this linking of payment system between India and Oman will not only make financial transactions between both countries faster but also cheaper, thus promoting easy flow of remittances and payments.

A Memorandum of Understanding (MoU) was signed between the National Payments Corporation of India (NPCI), International Payments Ltd (NIPL) and the Central Bank of Oman (CBO) on October 4, 2022. Under this MoU, Indian RuPay cards issued by banks in India will be accepted at all Oman Network ATMs, POS and e-commerce sites. Similarly, there will be reciprocal acceptance of Oman cards and mobile payment clearing and switching system (MPCSS) in the networks of NPCI in India. The agreement also facilitates the establishment of partnerships for real-time cross-border remittances between India and Oman using UPI rails. The mutual acceptance of payment cards and collaboration in developing advanced remittance solutions based on the UPI platform will not only encourage and support two-way travel and tourism but will also significantly ease the process for the large Indian diaspora in Oman to seamlessly send money back to India.

Movement of People

The agreement could support regulators of all regulated professions in Oman to deliver recognition of more Indian professional qualifications. Indian professionals will benefit from new opportunities to work in Oman or deliver services remotely and the Omani companies will be able to attract and retain more global talent.

The Indian companies which are providing services in Oman, operating in important sectors, including travel agents, engineers and consultants could be able to send Indian staff to Oman for work, without being subject to economic needs test or labour market test (ENT/LNT) requirements. This would provide certainty and assurance to Indian businesses seeking to make further inroads into providing services in Oman. Through these ENT/LMT relaxation, businesses in Oman will also no longer have to prove that they could not find an Omani local to fill a job before they sponsor a visa for an Indian professional. Similarly, priority visas may be provided to Indian professionals on short-term assignments in Oman.

Supportive Logistical Infrastructure

A robust logistics sector can go a long way in boosting India's exports to Oman. Efforts to be made to reduce transaction and transport costs. Oman's Vision 2040 initiative, along with its Tanfeedh program for economic advancement, identifies the tourism and logistics sectors, along with several others, as crucial areas for growth. These sectors play a vital role in realizing the government's primary goal of diversifying the country's economy and reducing reliance on depleting natural resource reserves. Each of the three deep-water ports in Oman functions through concessions established via joint ventures involving the government and foreign private firms. These ports are linked to a network of 86 ports, spanning 40 countries.

Oman's advantageous position along the Strait of Hormuz, coupled with its deep-water ports situated on the Gulf of Oman and the Indian Ocean beyond the Strait, serves as a key attraction. This becomes particularly significant as the country's logistics infrastructure expands and connectivity enhances. The Special Economic Zone Authority for Duqm and the Port of Duqm are proactively inviting foreign investments to support the funding of their development initiatives. Alongside the extensive construction projects, Duqm necessitates infrastructure enhancements in areas such as sewage treatment, drainage, water desalination, power plants, buildings, telecommunication services and landscaping.

India, on the other hand, stands as one of the world's rapidly advancing economies, with its infrastructure and logistics sector playing a pivotal role in sustaining this growth. Forecasts indicate substantial growth in India's infrastructure and logistics sector in the coming years, propelled by the rising demand for e-commerce, the expansion of manufacturing industries and the government's dedicated emphasis on infrastructure development.

Hence, collaboration on logistics infrastructure between India and Oman can offer several mutual benefits for both countries. Enhanced logistics infrastructure can streamline the movement of goods between India and Oman, facilitating smoother trade processes and reducing transportation costs. Strengthening logistics ties also provides an opportunity to diversify trade routes, reducing dependence on traditional routes and creating alternative pathways for more efficient and resilient trade. Collaborative infrastructure projects may involve the transfer of technology and expertise, allowing both countries to benefit from each other's strengths and advancements in logistics management. It can create a win-win situation for India and Oman by boosting economic growth, enhancing trade and strengthening their overall bilateral relationship.

Tapping into Oman's Sovereign Wealth Funds and the Wealth of HNIs of Oman

Sovereign Wealth Fund

Sovereign wealth funds (SWFs) have gained increasing prominence globally over recent years. The assets of Oman's sovereign wealth fund, the Oman Investment Authority (OIA), have reached 17.9 billion Omani rials (around US$ 46.5 billion) in 2022. Oman Investment Authority manages its assets and investments through two portfolios which are the National Development Portfolio (NDF) and the Future Generations Fund (FGF). The Future Generations Fund, accounting for 40% of total assets, encompasses OIA's international investments and mainly targets generating sustainable financial returns through long-term investments.

Strategic joint ventures are a pillar of the OIA's drive to support the government's foreign partnerships, mostly with other SWFs. The OIA has already entered into bilateral ventures with India under the two funds. The

Omani government has also recently launched an SWF with US$ 5.2 billion in initial capital, the Oman Future Fund. The new fund is set to be a catalyst for foreign direct investment as well as domestic private capital.

These funds stand as a significant potential partner for India, especially in the context of a trade agreement between India and Oman. The OIA's strategic focus and diverse funds hold various avenues for mutual benefit. Under an agreement, the OIA could facilitate increased investments in India, leveraging the FGF's international assets and diverse holdings in public and private markets. This could encourage collaboration between Indian businesses and the OIA, fostering economic ties and capitalizing on growth opportunities. Further, the NDF's emphasis on economic diversification aligns with India's goals. Joint efforts under a CEPA could lead to partnerships in sectors crucial for both countries, such as technology, renewable energy and manufacturing. This collaboration could drive innovation, knowledge exchange and sustainable growth.

High Net Worth Individuals of Oman

From 2017 to 2022, Oman's financial wealth demonstrated a notable growth rate of 7.2% annually, culminating in a total of US$ 112 billion, underscoring the nation's positive economic trajectory and solidifies its standing in the regional financial landscape. Approximately 23% of Oman's wealth is attributed to Ultra High Net Worth Individuals (UHNWI), with a net worth exceeding US$ 100 million. This contribution is anticipated to rise to 24% by 2027, highlighting the increasing significance of these high net worth individuals in shaping Oman's financial landscape.[7]

High Net Worth Individuals (HNIs) in Oman can potentially contribute significantly to the enhancement of economic ties between Oman and India through a CEPA with the following potential benefits.

- **Investment opportunities:** HNIs often seek diverse investment opportunities. A CEPA can open avenues for HNIs to invest in various sectors in India, ranging from real estate and infrastructure to technology and manufacturing. This not only benefits the individuals but also fosters economic growth and development in both countries.

- **Infrastructure development:** With Oman's financial strength, there is potential for collaboration in infrastructure development projects. Indian companies specializing in construction, engineering and related sectors can participate in projects in Oman, fostering economic cooperation and creating job opportunities.

- **Cross-border businesses:** HNIs are often involved in international business ventures. A CEPA can ease restrictions on cross-border trade and business activities, making it more conducive for HNIs to establish or expand their businesses in India. This could lead to the transfer of technology, expertise and the creation of employment opportunities.

- **Financial Services and wealth management:** A CEPA can facilitate the flow of financial services, including wealth management, between Oman and India. This can create opportunities for financial institutions to cater to the needs of HNIs, fostering a robust financial ecosystem.

[7] Boston Consulting Group

Energy Security

Oman is a significant player in the energy sector and an India-Oman CEPA could pave the way for increased cooperation in the field of energy, contributing to India's energy security. Collaboration in the energy sector could include oil and gas exploration, joint ventures and technology transfer. Oman possesses considerable opportunities in the realm of renewable energy, particularly through the exploration of solar and wind power. These two avenues hold great promise and could play a significant role in enhancing Oman's trade connections. The excess electricity generated could be exported to neighbouring nations and collaborations with other countries could be forged to initiate renewable energy initiatives. The establishment of a resilient renewable energy sector not only aids in economic diversification for Oman but also contributes to job creation.

Conclusion

India and Oman have enjoyed stable and positive diplomatic and trade relationships for many years, notably in resources, agriculture, services and investment. India is also a major provider of food and other critical inputs in the economy of Oman. These facts indicate the significant opportunities for both India and Oman businesses to better balance and further build on investment, services and trade in each country. Oman's strategic location in the Arabian Peninsula makes it an important partner for India in terms of regional security and stability. Closer economic ties can foster greater cooperation on geopolitical issues of mutual interest. There are several focus areas which have been identified between India and Oman, which include food security, supply chains, healthcare and pharma, energy security, renewable energy including green hydrogen, chips and semiconductors and technology including fintech and edutech.

Although, the current level of trade - merchandise and services between India and Oman are limited compared to that of India-UAE, an India-Oman CEPA presents a promising opportunity for both nations, with economic, strategic and diplomatic benefits. By fostering deeper collaboration, the CEPA can contribute to the economic growth and development of India while solidifying the bilateral relationship between the two countries. The successful implementation of the agreement will require proactive efforts to address challenges and ensure a mutually beneficial partnership.

Annexure 1

Impact of Trade Liberalisation by India on Imports from Oman (92% Linear Tariff Reduction)

HS Code	Product	Total Trade Effect (US$ million)	Trade Creation Effect (US$ million)	Trade Diversion Effect (US$ million)	Old Simple Duty Rate	New Simple Duty Rate
252310	Cement clinkers (whether or not coloured)	356.6	354.8	1.8	10.0	0.8
680911	Plaster, or plaster compositions; boards, sheets, panels, tiles and similar articles, faced or reinforced with paper or paperboard only, not ornamented	154.0	153.3	0.7	10.0	0.8
271111	Petroleum gases and other gaseous hydrocarbons; liquefied, natural gas	56.8	11.0	45.8	5.0	0.4
252210	Quicklime; excluding calcium oxide and hydroxide	53.2	52.9	0.3	5.0	0.4
680919	Plaster, or plaster compositions; boards, sheets, panels, tiles and similar articles, (other than faced or reinforced with paper or paperboard only), not ornamented	21.8	21.3	0.4	10.0	0.8
281410	Ammonia; anhydrous	15.2	6.3	8.9	10.0	0.8
290511	Alcohols; saturated monohydric, methanol (methyl alcohol)	12.5	4.2	8.3	5.0	0.4
760110	Aluminium; unwrought, (not alloyed)	8.7	6.2	2.5	7.5	0.6
252100	Limestone flux: limestone and other calcareous stone, of a kind used for the manufacture of lime or cement	8.2	5.1	3.1	5.0	0.4
890520	Floating or submersible drilling or production platforms	8.1	2.8	5.3	10.0	0.8
271311	Petroleum coke; (not calcined), obtained from bituminous minerals	7.6	2.5	5.1	10.0	0.8
890110	Cruise ships, excursion boats and similar vessels, principally designed for the transport of persons, ferry boats of all kinds	7.5	3.3	4.2	10.0	0.8

HS Code	Product	Total Trade Effect (US$ million)	Trade Creation Effect (US$ million)	Trade Diversion Effect (US$ million)	Old Simple Duty Rate	New Simple Duty Rate
390210	Propylene, other olefin polymers; polypropylene in primary forms	7.4	3.1	4.4	7.5	0.6
271320	Petroleum bitumen; obtained from bituminous minerals	7.1	1.8	5.3	5.0	0.4
390120	Ethylene polymers; in primary forms, polyethylene having a specific gravity of 0.94 or more	5.8	2.3	3.5	7.5	0.6
761090	Aluminium; structures (excluding prefabricated buildings of heading no. 9406) and parts of structures, in heading no. 7610, plates, rods, profiles, tubes and the like	5.2	5.2	0.1	10.0	0.8
890400	Tugs and pusher craft	4.9	1.3	3.7	10.0	0.8
080410	Fruit, edible; dates, fresh or dried	4.3	1.7	2.5	25.0	2.0
252010	Gypsum; anhydrite	3.9	1.9	2.0	5.0	0.4
230120	Flours, meals and pellets; of fish or of crustaceans, molluscs or other aquatic invertebrates	3.8	3.0	0.8	15.0	1.2
720719	Iron or non-alloy steel; semi-finished products of iron or non-alloy steel, containing by weight less than 0.25% of carbon, other than rectangular or square cross-section	3.4	3.1	0.3	7.5	0.6
251810	Dolomite; (not calcined), roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	3.3	3.2	0.1	5.0	0.4
880240	Aeroplanes and other aircraft; of an unladen weight exceeding 15,000 kg	2.7	0.2	2.5	2.5	0.2
871680	Vehicles in heading no. 8716	2.7	2.3	0.4	10.0	0.8
390110	Ethylene polymers; in primary forms, polyethylene having a specific gravity of less than 0.94	2.6	1.0	1.6	7.5	0.6
271119	Petroleum gases and other gaseous hydrocarbons; liquefied, in heading no. 2711	2.4	2.1	0.3	10.0	0.8
282590	Inorganic bases, metal oxides, hydroxides and peroxides; in heading no. 2825	1.9	0.6	1.3	7.5	0.6
091020	Spices; saffron	1.9	0.6	1.3	30.0	2.4
722490	Steel, alloy; semi-finished products	1.8	1.1	0.7	7.5	0.6
270750	Aromatic hydrocarbon mixtures, in heading no. 2707, of which 65% or more by volume (including losses) distils at 250 degrees Celsius by the ASTM D 86 method	1.7	1.4	0.3	2.5	0.2

Source: WITS and India Exim Bank Research

Annexure 2

Impact of Trade Liberalisation by Oman on Imports from India (97% Linear Tariff Reduction)

HS Code	Products	Total Trade Effect (US$ million)	Trade Creation Effect (US$ million)	Trade Diversion Effect (US$ million)	Old Simple Duty Rate	New Simple Duty Rate
260112	Iron ores and concentrates; agglomerated (excluding roasted iron pyrites)	9.9	3.0	6.9	5.0	0.2
080132	Fruit and nuts, edible; peel of citrus fruit or melons	8.5	8.4	0.1	5.0	0.2
720838	Iron or non-alloy steel; in coils, without patterns in relief, flat-rolled, of a width 600mm or more, hot-rolled, of a thickness of 3mm or more but less than 4.75mm	6.5	5.3	1.2	5.0	0.2
730300	Cast iron; tubes, pipes and hollow profiles	5.5	4.1	1.5	5.0	0.2
848180	Taps, cocks, valves and similar appliances; for pipes, boiler shells, tanks, vats or the like, including thermostatically controlled valves	3.8	1.7	2.1	5.0	0.2
520100	Cotton; not carded or combed	3.5	3.4	0.1	5.0	0.2
720230	Ferro-alloys; ferro-silico-manganese	3.2	2.5	0.7	5.0	0.2
480524	Paper and paperboard; semi-chemical fluting paper (corrugating medium), uncoated, in rolls or sheets	2.9	2.6	0.3	5.0	0.2
730511	Iron or steel; line pipe of a kind used for oil or gas pipelines, longitudinally submerged arc welded, external diameter exceeds 406.4mm	2.8	2.0	0.8	5.0	0.2
220830	Whiskies	2.8	1.3	1.5	100.0	3.0
290919	Ethers; acyclic and their halogenated, sulphonated, nitrated or nitrosated derivatives, other than diethyl ether	2.5	1.1	1.4	5.0	0.2
250810	Clays (excluding expanded clays of heading no. 6806); bentonite, whether or not calcined	2.4	2.3	-	5.0	0.2
291733	Acids; aromatic polycarboxylic acids; dinonyl or didecyl orthophthalates	2.2	2.1	-	5.0	0.2

HS Code	Products	Total Trade Effect (US$ million)	Trade Creation Effect (US$ million)	Trade Diversion Effect (US$ million)	Old Simple Duty Rate	New Simple Duty Rate
350691	Adhesives; prepared, based on rubber or plastics (including artificial resins)	2.1	2.1	-	5.0	0.2
020230	Meat; of bovine animals, boneless cuts, frozen	2.1	1.3	0.7	5.0	0.2
271312	Petroleum coke; calcined, obtained from bituminous minerals	1.9	0.8	1.0	5.0	0.2
841940	Distilling or rectifying plant; not used for domestic purposes	1.8	1.8	-	5.0	0.2
870322	Vehicles, spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc	1.6	0.7	0.9	5.0	0.2
720839	Iron or non-alloy steel; in coils, without patterns in relief, flat-rolled, of a width 600mm or more, hot-rolled, of a thickness of less than 3mm	1.5	0.4	1.1	5.0	0.2
850490	Electrical transformers, static converters and inductors; parts	1.3	0.7	0.6	5.0	0.2
720837	Iron or non-alloy steel; in coils, without patterns in relief, flat-rolled, of a width 600mm or more, hot-rolled, of a thickness of 4.75mm or more but not exceeding 10mm	1.1	0.4	0.7	5.0	0.2
730799	Iron or steel; tube or pipe fittings, in item no. 7307.9, other than stainless steel	1.0	0.6	0.4	5.0	0.2
720510	Iron or steel, pig iron, spiegeleisen; granules	1.0	0.9	0.1	5.0	0.2
850720	Electric accumulators; lead-acid, (other than for starting piston engines), including separators, whether or not rectangular (including square)	1.0	0.6	0.4	5.0	0.2
480519	Paper and paperboard; semi-chemical fluting paper (corrugating medium), uncoated, in rolls or sheets	1.0	0.9	0.1	5.0	0.2
854411	Insulated electric conductors; winding wire, of copper	1.0	0.7	0.3	5.0	0.2
850710	Electric accumulators; lead-acid, of a kind used for starting piston engines, including separators, whether or not rectangular (including square)	1.0	0.5	0.5	5.0	0.2
730820	Iron or steel; structures and parts, towers and lattice masts	1.0	0.5	0.4	5.0	0.2
840211	Boilers; water tube boilers with a steam production exceeding 45t per hour	1.0	0.9	-	5.0	0.2
720916	Iron or non-alloy steel; in coils, flat-rolled, width 600mm or more, cold-rolled, of a thickness exceeding 1mm but less than 3mm	0.9	0.9	-	5.0	0.2

Note: “-” implies negligible

Source: WITS and India Exim Bank Research

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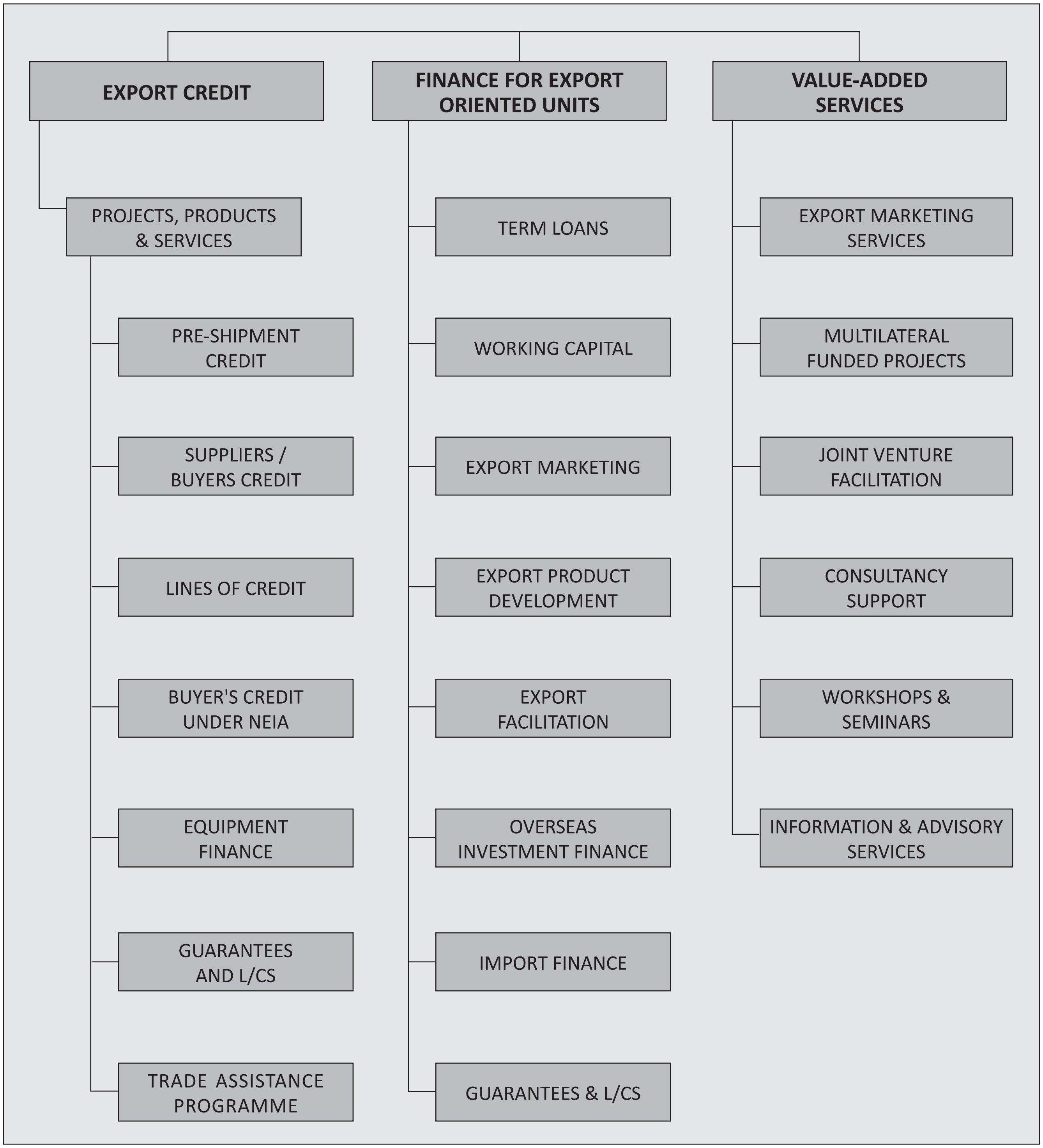

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