



# OMAN'S BUSINESS & ECONOMY IN FOCUS



The Sultanate of Oman is the second largest country among the Gulf Co-operation Council (GCC) States. It occupies a strategic location on the Strait of Hormuz at the entrance to the Persian Gulf, 56 km directly opposite Iran.

Oman is an Arab country in southwest Asia on the southeast coast of the Arabian Peninsula. It borders the United Arab Emirates on the northwest, Saudi Arabia on the west and Yemen on the southwest. The coast is formed by the Arabian Sea on the southeast and the Gulf of Oman on the northeast. The country also contains Madha and Musandam, two exclaves on the Gulf of Oman, south of the Strait of Hormuz and surrounded by the United Arab Emirates on the land side. The country has an area of 309,550 sq kms and a population of 2.7 million (2010) including around 700,000 expatriates. Oman's currency is Rial and at current rates equal 2.6 US Dollars. The local time all-year round is UTC+4.

In 2010, the country celebrated the 40th anniversary of the ascension of its ruler His Majesty Sultan Qaboos bin Said Al Said to the throne of Oman. In 1970, His Majesty established a modern government structure and launched a major development programme to upgrade educational and health facilities, build a modern infrastructure, and develop the country's natural resources.

The Sultanate has witnessed fast-track development in all spheres during the last 40 years and today Oman is recognised as one of the fastest developing countries in the region. Despite a global economic turmoil, Oman's economy remained largely resilient to the meltdown and development works in the country continue as scheduled.

### **Economy**

Historically fisheries and agriculture formed the backbone of Oman's economy. The discovery of oil created a strategic shift and the economy got transformed as an oil income-based economy. The oil revenue has helped Oman build its world-class infrastructure and facilities.

The government is pursuing a strategy of diversification to broad base the economy. The government is currently focusing on developing natural gas resources, tourism and real estate sectors, and privatisation of the utilities and telecommunication sectors.

Oman has been recording real economic growth at an average rate of six per cent over the past few years. Non-oil exports exceeded RO 1 billion in 2008, growing by 59 per cent, spurred by growth in the manufacturing and service sectors.

### **Government**

His Majesty Sultan Qaboos bin Said Al Said is the ruler of Oman since 1970. He is the Head of State, Prime Minister, and Commander in Chief of the armed forces. The Sultan is assisted by a Council of Ministers (cabinet). The Council of Oman with two chambers – the Council of State (Majlis Al Dawla) and the Consultative Council (Majlis Al Shura) forms the representative body of people in the country.

### **Legal System**

The Sultan promulgates legislation by way of Royal decrees. There is a three-tier court system consisting of primary courts, appeal courts and the Court of Cassation. These courts have jurisdiction over civil, commercial, labour, tax, and rent matters. Arbitration is also gaining reputation as an alternative dispute settlement mechanism. Omani laws and regulations draw their inspirations from Islamic Shariah though commercial and business issues are settled on the basis of international principles and practices.

### **Economic Vision**

Since 1976 Oman's economic policy has been determined in terms of five year planning cycles in the short term and 25 year cycles in the long term. Long term economic policy was initially determined by the First Long Term Development Strategy 1970-1995. The economic development depended on four pillars – oil resources, high levels of government expenditure and investment, and the employment of a large number of expatriates to provide a sufficient skill base.



However, the high dependence on depleting oil resources reduced the viability of this strategy. Accordingly the government decided to pursue a strategy of diversification, to reduce the reliance on oil resources for achieving economic development in the Second Long Term Development Strategy 1996-2020 (Vision 2020).

The government aims to invest oil and gas returns to achieve sustainable economic diversification of the production base, and improve infrastructure, health and education sectors. Increased employment of Omanis in the workforce, and more active participation of the private sector in economic development are now gained more importance in the Government's future planning.

The focus of development has now shifted to new levels and patterns such as:

- Upgrading skills of local manpower and developing local human resources to reduce the over dependence on expatriate manpower;
- More active involvement of the private sector in economic activity;
- Optimum exploitation of natural resources and the country's strategic location as a maritime hub;
- Economic diversification by increasing non-oil activities such as natural gas based industries, non-oil exports and tourism;
- Develop information technology, research and development covering sectors of the national economy.

#### **International Cooperation**

Oman is a member of several economic blocs including the Arab Gulf Co-operation Council (AGCC), the Greater Arab Free Trade Zone, the Indian Ocean Rim Association

for Regional Cooperation (IORARC) and the World Trade Organization (WTO). The Oman-US Free Trade Agreement signed in 2006, came in to effect from 1 January 2009, whereby all tariffs on consumer and industrial products are waived.

### **Omani Products, the First Choice**

Government authorities and departments give priority to Omani products when making purchases and Omani goods are actively promoted in the local market through seminars and exhibitions.

Omani goods are exported to the markets of over 100 countries around the world. Oman's main trading partners are the United Arab Emirates, India, Saudi Arabia, Iran, Qatar, Libya, China, South Korea, Germany and the United States.

### **Manufacturing Sector**

Until recently Oman was focusing on small scale industries only. The discovery of natural gas, however, resulted in the expansion of large scale gasbased industry. The Government is now promoting the Sohar town and the Sohar Industrial Port and neighbouring areas as the country's major industrial hub. Several heavy industries such as fertiliser, aluminium, natural gas, cement and steel tubes have been established in recent times. The industrial sector is a cornerstone of the Sultanate's long-term (1996-2020) development strategy. Development of the industrial sector is expected to help achieve the government's diversification strategy and reduce dependency on oil. It also targets to help meet Oman's social development needs and generate greater value addition for natural resources by processing them into finished products.

### **Information Technology**

The government aims at developing the Information Technology (IT) and telecommunications industries on a larger scale as an acknowledgement of the industry's growing influence and its contribution to the fast track development. The Knowledge Oasis Muscat (KOM) has been set up for this purpose.





The Information Technology Authority (ITA) was established in 2006 to promote infrastructure projects for Oman's digital advancement and to oversee implementation of IT projects in every department of the state's administrative apparatus. The Information Technology sector got a great stimulus from the Royal Grant by which the ITA distributed free laptop computers to social security beneficiaries and other deserving students in Colleges and Universities. The entire funding of the project was made by His Majesty from his personal funds.

Regulatory authorities are in place for the insurance sector (Insurance Regulatory Authority) electricity sector and the telecommunication sector (Telecommunications Regulatory Authority) as well.

### **Transport and Communications**

Oman is now making all-out efforts to develop its infrastructure and to ensure that the fruits of development reach every nook and corner of the country. The Transport and Communications sector has played a vital role in establishing the infrastructure network of Oman, which has contributed towards achieving economic and social prosperity.

The Sultanate has a network of highways linking almost all parts of the country. The establishment of a Greenfield airport at Sohar and expansion of the country's two international airports (Muscat International Airport and Salalah International Airport) progress on fast track. A new seaport complex and expansion projects are being planned at Duqm and Khasab respectively. A dry dock for ship repair, established at Duqm, is now ready for commercial launch.

### **Tourism**

Tourism is a key sector that the government is promoting for achieving Economic Vision 2020. The United Nations World Tourism Organisation states that the Middle Eastern tourism sector has been

growing and has a positive outlook in the future due to continued investment in supporting infrastructure.

The Sultanate is one of the few countries in the region with diversified natural beauty and enormous scope for developing the tourism potential to farther levels. The country has a rare combination of pristine beaches, historical sites, hill stations, plains and coral reefs. The country is fast emerging as one of the favourite destinations of holiday makers from around the world.

The Ministry of Tourism was set up in 2004 and the Government is promoting increased private sector participation to provide quality services to tourists. Several integrated tourism projects are being implemented in the country. Oman also hosted the 2010 Beach Games which provided the much needed boost to the country's tourism industry. The Ministry of Tourism is promoting Oman as a favourite destination among foreign tourists and visitors. Roadshows, seminars, workshops and exhibitions are organised in different parts of the world for this purpose.

### **Real Estate**

Demand for real estate has been growing across different utility groups: residential, commercial and tourism related. Despite recent increases in prices, the Oman real estate sector remains competitive as opposed to other GCC markets.

The Wave, Oman's first water-front tourism project, close to the Muscat International Airport is nearing completion with ready to occupy villas, apartments and town houses. The Government owned tourism developer Omran is also developing several tourism projects at various destinations.

Oman's reputation as a peaceful country and the political and financial stability that it has achieved over four decades under the visionary leadership of His Majesty make Oman an attractive investment destination for foreign investors.

