

# OMAN

## *A Sultanate's Visionary Expansion*

In the entire world, only three nations are led by a sultan. While the rest of the Arab world grapples with the challenges of globalization, the Sultan of Oman has proven that a combination of traditional wisdom and modern vision can provide the essential elements for a true tale of leadership and prosperity. The sovereign of Oman, His Majesty Sultan Qaboos bin Said, is the driving force and initiator behind the country's spectacular emergence from isolation into an Arabian model for economic success, national unity, and global diplomacy.



## The Quintessential Sultan

In the 19th century Oman, the Gulf nation on the south-eastern tip of the Arabian Peninsula, covered a territory that reached down to Zanzibar in East Africa and was an instrumental hub for Indian Ocean sea trade. As new technologies and shifting alliances changed the face of the industrializing world, Oman found its importance dwindling and consequently regressed into an isolated state.

**“History has proven that nations do not advance and develop without the continuous renewal of their ideas. This also applies to individuals and people.”**

Sultan Qaboos

All this changed, however, when Sultan Qaboos bin Said replaced his father in 1970 and used the discovery of oil in the country’s dry desert as a way to bring his nation back from the brink. The Sultan knew this would not be an easy task, as cultural and religious issues would have to be dealt with, but even in his first speech as the new sovereign he made his mark as a unifier and advocate of hope. “My people, I will proceed as quickly as possible to transform your life into a prosperous one with a bright future. Every one of you must play his part towards this goal. Our country in the past was famous and strong. If we work in unity and cooperation we will regenerate that glorious past and we will take a respectable place in the world.”

Oman would not have been able to flourish as it has without the Sultan’s forward-looking guidance. He has personally assumed an active role in ensuring the prioritization of the country’s security, economy, education, and social development as well as the rights and freedoms of individuals. Everything is documented in the State’s Constitution, updated in 1996; The Sultan is the Head of State, the highest and final authority as well as being Supreme Commander of the Armed Forces. His functions include maintaining the country’s independence and territorial integrity, protecting national and international security, safeguarding citizens’ rights, and upholding the rule of law.

Sultan Qaboos has favored an increasingly proportional representation as facilitated by the Statute of the State, in which the Sultan and his Council of Ministers are assisted in formulating and implementing the general policy of the State. The primary bodies are the Defense Council, the Ruling Family Council and most significantly The Majlis Oman, otherwise known as The

Oman Council. The Majlis Al Dawla (State Council) and the Majlis Ash’ Shura (Consultative Council) are the two houses which constitute The Majlis Oman, of which the latter’s representatives are elected by all male and female voters over the age of 21. In 2003, an excess of 190,000 people over the age of 21 (74 percent of those registered) voted to elect the 83 seats. The Sultan’s commitment to promoting women to senior positions is reflected in the fact that female representatives are eligible for election to the Majlis Ash’ Shura. However, of the 15 female candidates in 2003, only two women were re-elected. The upcoming 2007 elections are expected to produce a more favorable quota. Nevertheless, Qaboos has appointed four women to ministerial functions, namely those of higher education, tourism, social development, and the head of the Public Authority for Crafts Industries. Oman has also appointed a female ambassador to the United States, Hunaina Bint Sultan Al Mughairy, in addition to the Ambassador to Holland accredited in September, 1999, Khadija Bint Hasan Al Lawati.

The Sultan’s liberal approach and open-mindedness have also played a very important part on an international level. Harmonizing the Gulf States in multi-lateral and economic cooperation has been one of Oman’s fortes and because the Sultan always seeks the path of diplomatic resolve, his mediation has been a focal point in Middle Eastern conflicts. One example of this is the mutual understanding between Oman and the United States which has led to, among others, signed agreements in defense. While the presence of U.S. facilities in Oman may have initially been a cause for concern amongst Arab nations, it proved pivotal in response to Iraq’s 1991 invasion of Kuwait, as well as in ongoing US missions since 2003. Now, more than ever, the global community looks towards Oman’s wisdom and relations in persuading Iran to forgo nuclear weapons on one hand, and dissuading the United States from using military force in its confrontation with Tehran on the other.

Stability and peace have worked wonders for Oman and it is, therefore, intent on persuading the whole region to adopt a similar stance. The far-reaching reforms which have occurred at the hand of the Sultan have brought Oman into a new era of modernity, prosperity, and economic opportunities. The hybrid of historical values and 21st century vision has made the Sultanate a model for the Middle East and, if it is able to harness its potential, prosperity and success will become a proud story that the Omani people can tell, and live, for generations to come.



## A Unifying Spirit with a Unique Foreign Policy

The Straits of Hormuz is a narrow passage that serves as the only opening for all sea-faring traffic to and from the Persian Gulf. Its strategic location is of crucial economic and military importance to the whole of the Middle East and has been for many centuries. In the last few decades, nearly 25 percent of the world's oil supply has passed through the 21-mile wide bend leading to the Indian Ocean and beyond. To the south of the Straits, a peninsula of impressive mountains rises up from the sea. This is Musandam, an exclave of Oman that is surrounded by the United Arab Emirates. North of the Straits lies Iran. Maintaining a peaceful balance in the Straits of Hormuz is of the essence for all states dependent the oceanic lifeline. No one understands this better than Sultan Qaboos, whose exemplary foreign policy of mediation, tolerance towards differences, and a determined search for mutual benefits can be seen as a symbolic bridge over the Straits, reaching out not only to Iran, but functioning also as a meeting point between the East and the West.

The Sultan's careful consideration in cases of conflict has become a benchmark for Middle Eastern diplomacy and it is this consistent pragmatism that makes his foreign policy so distinct. From the beginning of his rule, pursuing peaceful resolution, working on principles of nonintervention in other countries' affairs, respect for international law, and bold diplomatic initiatives have always served as a way to secure solutions that are beneficial for Oman and for the region as a whole. For example, by not ruling out the option of former enemies as potential partners, the Sultan was able to settle tribal and religious discords in his own country, as well as resolving a 25-year territorial dispute with southern neighbor Yemen. During the Iran-Iraq war (1980-1988), secret talks were hosted in Muscat; These talks may not have ended the hostilities, but they certainly reduced mistrust between the parties. Meanwhile, Oman also acted as a mediator in the restoration of diplomatic relations between Iran, Britain, and Saudi Arabia.

**“Our foreign policy is well known to all. We are always on the side of right, justice, friendship and peace, and we call for peaceful coexistence between nations, mutual understanding between civilizations and the eradication of the causes of hatred which breeds in the minds of those who suffered from injustice and inequality. That is in the interests of all mankind.”**

Sultan Qaboos

Sultan Qaboos had already gained the respect of Iran in the early 1970's by offering the country's Shah direct involvement in quelling Omani instability, which could have spilt over into Iran had a border agreement concerning the Straits of Hormuz not been secured between the two nations. This was pivotal in gaining Oman stature as an equal to the region's most powerful country. When in 1997 the Shah of Iran was deposed by the Ayatollah Khomeini, Qaboos kept the established tie in place. Sensing the Straits might become a factor of tension, the Sultan proposed a protection plan to Gulf States Bahrain, Kuwait, Qatar,

Saudi Arabia, and the United Arab Emirates. However, because of Oman's liberal stance towards Egypt, which had controversially become the first Arab nation to recognize Israel, the plan was dismissed. Thus Qaboos made a bold move and turned to the United States, signing the 1980 Facilities Access Agreement, at that time the only such military accord made between an Arab nation and the US.

**“Extremism, under whatever guise, fanaticism of whatever kind, factionalism of whatever persuasion would be hateful, poisonous plants in the soil of our country which will not be allowed to flourish.”**

Sultan Qaboos

The goal of long-term security needed to have regional support, however, and Sultan Qaboos's persistence eventually achieved the creation of the Gulf Cooperation Council (GCC) in 1981, an organization which continues to be active today. The Sultan is also very much aware of when action needs to be taken, as evidenced when Iraq invaded Kuwait in 1990. Omani forces participated in the UN liberation effort, and the Sultan granted the United States access to supplies and facilities in Oman while at the same time attempting to create opportunities for crisis resolution through maintained diplomatic ties with both Iraq and Kuwait.

Sultan Qaboos maintains a low-key presence on the international scene, but has gained admiration from all sides. He is guided in his decisions by the Ibadhi interpretation of Islam, which is practiced in Oman and is one of the most liberal forms of the religion in the region. In a 1994 National Day speech, he asked Omanis to continue being tolerant and forward-looking, rejecting momentary causes and religious fanaticism. “Obstinacy in religious understanding leads to backwardness in Muslims, prevalence of violence and intolerance.” It is from his Ibadhi heritage that Sultan Qaboos derives his principle approach: steadily and consistently seek security and prosperity through nonviolent means. Oman has therefore been spared the destructive nature of extremism, and Sultan Qaboos is determined to prevent it from taking root.

### Oman at a Glance

Head of State.....	Sultan Qaboos Bin Said
Area.....	193,437 sq miles
Coastline.....	1,062.5 miles
Population.....	2.5 million (2005)
Capital.....	Muscat
Official Religion.....	Islam
Life expectancy.....	74 years
GDP per capita.....	\$8,929
Climate.....	dry, hot desert, humid along coast
Languages.....	Arabic, English, Hindi
Currency.....	Omani Rial (OMR)
Exchange rates.....	1 rial = 2.59 US dollars

## A Blue City Rises

The Arabia of myth and folklore, so vividly conjured up in 'The 1001 Arabian Nights', does exist. It is called Oman, and it is an oasis of peace and beauty, steeped in tradition and history. The many minarets, turrets and domes of the country's capital, Muscat, have been so lovingly restored that visitors could be forgiven for thinking that this is a country trapped in a glorious past. Before 1970, this was the case. When Sultan Qaboos ascended to the throne 35 years ago, Oman was a backwater, largely cut off from the rest of the world.

Nearly four decades later, Oman has preserved its unique essence and special Arabian flavor while looking firmly to the future, all under the Sultan's ever-watchful eye. In the 35 years of his reign, he has succeeded in transforming the country into one of the region's most modern and dynamic nations. This delicate balancing act of preserving tradition and embracing the future sums up the Sultan perfectly. The Omani Monarch is well known for his loathing of what he calls "visual pollution" and Muscat is a testament to this with its well planned mix of old and new. The city integrates traditional aspects such as the souk and corniche with many modern luxuries such as five-star hotels and resorts.

The Sultanate's latest coup is to build a \$15-20 billion property development project in what will be one of the world's biggest tourism developments. Called 'Al Madina Al Zarqa' or 'The Blue City', and only 45 minutes from Muscat, this mega-project will occupy 21 miles of the sumptuous Al Sawaadi coast. As this article goes to press, the project is already the biggest in the Middle East. And true to form for Sultan Qaboos, the project will be executed with perfect taste, meticulously planned to the very last detail. Imagine a new and vibrant city at the gateway to Arabia; an urban community with roots in tradition, yet reaching out to the future. This is the concept behind The Blue City and its planners have insured that it will be unlike any other city in the world. The Blue City will be stunningly beautiful, a magnificent metropolis by the sea, a place to live and do business, a place to relax and learn, and a place to enjoy.

"We do not compare ourselves with the resorts here because others are simply just hotels or golf courses. It is not our concept. We are creating an economy," remarks Anees Issa, Chairman of The Blue City project. The project will be rolled out in several demand-led phases, the first of which is expected to create 7,000 jobs directly and 25,000 indirectly. The plans are ambitious and up to 16 leading hotels are expected to participate, not to mention the shopping malls, amusement parks, two hospitals and even a university and a sports center. Naturally, in keeping with the country's strategy to develop the tourism sector as a high-end destination, The Blue City is expected to provide the ultimate experience for up to 250,000 people and will be built to the highest environmental standards. According to the developers, "This splendid new jewel in the Omani crown promises to deliver one of the most unique and sought after living environments in the Gulf, and indeed the world. Its future as a magnet for tourism and all round business investment will go hand in hand with an enduring appeal to its cross section of local and international residents." International financiers tend to agree: the money for this multi-billion dollar project is to be financed by the US-based financial group Oppenheimer.

"There is money available here for investment but

we did not want to bring in money from the Gulf region. We wanted to be different, so we looked at European and American collaboration and that is good for the country in general. It is good for the rating when investors come in from the United States, Britain, or Germany. Our project has helped the rating of the government because of the way we dealt with this," comments Mr. Issa. "We are welcoming American companies to come to The Blue City. We have a lot of demand for different materials, buildings, infrastructure, designs, computers and software to complete the city, and top American companies are already dealing with us in the project management, but we plan for more international companies to participate," Mr. Issa adds.

Once completed, The Blue City is set to become a major international destination in its own right, a testament to the legacy of a reforming Monarch who has transformed his nation.

### The Sultan's Legacy

- Gross Domestic Product increased from \$270 million in 1970 to \$24.7 billion in 2005.
- Per capita income increased from \$410 (1970) to \$8,929 (2004), placing Oman in the category of high-medium income countries.
- The contribution of non-oil sectors to GDP increased from 31 percent (1970) to 69 percent (1999), while input of oil revenues in government revenues decreased from 100% to 68%.
- At the same time, daily oil production increased from 332,000 bpd (1970) to 748,000 bpd (2005), while oil revenues as a percentage of overall government revenues decreased from 100% to 68% over the same period.
- The government spent \$5,12 billion in developing the health sector which now has 57 hospitals and 124 health centers. In 1970, there were only two hospitals.
- Life expectancy consequently increased from 49.3 years (1970) to 74 years (2005).
- The World Health Organization's Report 2000 placed Oman as the World Number One in terms of health system efficiency and utilization of financial resources.
- In the education sector, the number of pupils increased to 625,363, with a concomitant rise in schools from 3 (1970) to 1,217 (2004).
- The total length of paved roads increased from 8 miles (1970) to more than 9,048 miles (2005).
- Telephone lines increased from 1,000 (1975) to 239,262 (2005).

Figures provided by the Ministry of National Economy's Information and Publication Center, April 2006.

## Treasures of Trade and Industry

In 2005, Oman was graced with the Arab Economic Freedom Award for being the most economically free nation in the Arab world. It is a commendable recognition of the Sultan's efforts to bring his country to the cutting edge of commercial and industrial trade with not only neighboring GCC countries, but also the rest of the Middle East, Asia, and most notably Europe and the United States. The Oman-US Free Trade Agreement (FTA) signed on the 29th of January 2006 is another formidable step in this direction, one that has brought new opportunities of export and employment to the Sultanate.

Trade and exports play an important part in the Omani diversification process and their contribution to the economy has been on the increase since the country's entry to the World Trade Organisation. The FTA, which is expected to be fully functional by 2007, will also result in an extra boost to Oman's GDP. Leading these developments is His Excellency Maqbool Ali Sultan, the Omani Minister of Commerce and Industry. According to the Minister, the FTA's objectives are very much in line with the Sultan's, as they will enhance not only Oman-US ties, but also inter-GCC trade. "The greatest benefit for Oman from the Oman-US FTA lies in the realm of investment, considering that under the terms of the FTA Oman will provide the same treatment to US investors as it gives to GCC investors," says Minister Maqbool Ali Sultan. FTA agreements have also been signed between the US and Bahrain, also a GCC member, which will allow Omani and Bahraini industries to utilize inputs from other Middle Eastern FTA signatories as well as motivate more Arab nations to enter into similar agreements. "This cumulative formula will encourage trade between members of the Greater Arab Free Trade Agreement (GAFTA) which will in turn help move the region faster to a common market."

Minister Maqbool's primary aims however lie with increasing employment and opportunities for Omani citizens. Creating a stronger labor force is key to broadening Oman's economic development and attracting investment. "Oman's human capital will grow from the technical assistance that the US will be providing through the training of Omanis in order to facilitate the implementation of the FTA obligations." As a member of the International Labor Organization (ILO), Oman strives to create the highest labor conditions, and amendments to the existing labor laws of 2003 will bring Oman in complete alignment with ILO standards. This will positively serve sectors expected to attract direct investment as a result of the FTA, namely gas-based industrial projects and knowledge-based industries.

Investors on a quest for golden opportunities may well find Oman to be at the heart of their treasure hunt, as its liberal policies and incentives have created an undisputed leader on the map of emerging markets. Now that the gates to the US market have opened up and a GCC Agreement with the EU is on the horizon, Omani goods, high-tech and capital-intensive industries are ready to be discovered.

## Excelling over three decades.



Since its inception, the Omzest group has been touching the lives of thousands of Omanis in every sphere, by providing a wide variety of products and services. While the group's products are market leaders in Oman, they are also exported to over 90 countries.

Today, the group represents some of the world's most reputed organisations listed in Fortune 500. The will to excel, the commitment to quality and global competence, have helped the Omzest group stand the test of time as a solid and trusted organisation.

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## Training the Citizens to Compete

### The Sultan's educational system yields an unparalleled labor force

When Qaboos bin Said became Oman's new Sultan in 1970, there were only three schools in the country. No more than 909 pupils were being taught by 30 teachers. This fact had frustrated many young Omanis, who consequently sought their education abroad, particularly in neighboring Gulf States, Iraq, and Egypt. Knowing the needs of his people first hand and realizing that the key to creating a modern, flourishing Oman was education, the Sultan set about prioritizing the development of the country's academic system. Even when infrastructure was absent and resources not immediately available, Sultan Qaboos showed that where there is a will, there is a way, and set up impromptu tents as makeshift schools.



Sultan Qaboos University

Utilizing Oman's ever-increasing oil revenues, he was able to establish the Sultan's School in 1977, offering a bilingual Arabic-English education from early childhood to pre-university. According to its Principal, John Birchall, the school seeks to provide "a broad and balanced education of the highest quality, which reflects and strengthens the Omani and Islamic culture while encouraging an international perspective, and developing critical, creative thinking in its students."

In 1980, the quest for educational excellence took on a grand form with the foundation of the Sultan Qaboos University (SQU), envisaged as an 'Oxford of Oman'. Announcing the ambitious project, Sultan Qaboos explained that the university would spearhead Oman's collective advancement. "Steps are being taken to prepare our young people to become the scientists, technicians, doctors, agriculturalists and other specialists that we shall need in ever increasing numbers as our modern development continues to gain momentum." With these words the Sultan outlined the course that the country has since collectively taken up. The university set out to offer courses at the highest international standards and thus enabled Omani students to take their careers and their country to the next level. Nowadays, SQU comprises eight colleges: Engineering, Medicine, Art, Commerce and Economics, Education and Islamic Studies,

Science, Agriculture, and Law. The number of students enrolled has grown from about 500 in 1986, when the university opened its doors, to more than 10,000 in 2005. About half of enrolled students are females.

That Oman has come a long way can be metered by the more than 1,000 state schools now in existence, providing education at primary, preparatory and secondary levels. There are also over 120 private schools operating under the aegis of the Ministry of Education. The total amount of students in state and private education has exceeded 600,000 of whom nearly half are female. In addition to the juvenile pupils, an adult education system allows advanced courses and examinations to be taken by those who, for one reason or another, have not been able to complete their education. Oman has thereby not only eradicated illiteracy, but has earned the praise of Arab and international communities for significantly raising the education standards of the country.

Great importance is also given to the training of Omani citizens employed by state companies, particularly in the petrochemical sector. With the aid of the Omani Center for Investment Promotion and Export Development (OCIPED), foreign companies can also train Omani employees for specializations in respective sectors. Known as 'Omanization', the scheme is intended to provide citizens with the necessary means to rise to a productive level of skills within the labor market, not only in Oman but also internationally. One of the prerequisites in cases of privatization,

be it partial or full, is to have 95 percent of the employees of Omani origin. As science courses are geared to developing enhanced oil retrieval technologies, training employees with the new methods is of the essence in maintaining the economic momentum.

The most crucial aspect is to keep Omanis ahead of developments on the global market, so that the country will be able to compete at the most advanced levels, with world trade focusing on know-how and skills in its choice of partners.

To this end, the Omani Minister of Higher Education, Rawya bint Saud al-Bousaidi, has signed an agreement with New Zealand's Higher Education Federation to boost academic cooperation between the two countries. Under the agreement, New Zealand provides Oman with academic programs to transfer the specializations in the colleges of education into specializations in the field of applied sciences. Other partnerships of such a nature are expected to follow.

By and large, Sultan Qaboos has shown that providing access to quality education to all citizens is the one motor in a nation's development that cannot be neglected. Investing substantially in the sector has created yields that are now beginning to bear fruit, setting a precedent for even greater expectations.

## Encouraging Growth Through a Diversified Economy

Last year, Oman celebrated the 35th anniversary of Sultan Qaboos bin Said's reign. Impressive laser shows and light projections at Muscat represented the grand achievements made by all Omanis who have worked to realize the Sultan's vision, giving the population a modern history of expansion and economic excellence.

Much is owed to the Sultan's skillful utilization of the country's oil resources, which were discovered in the 1960's. Despite the wild fluctuations in price over the years, from as low as \$10 per barrel in early 1999 to as high as \$68 in May 2006, Oman has been able to harness oil revenues to develop the country's economic status through infrastructure. Simultaneously, it has managed to create a diversified economic base so as not to be entirely dependent on petroleum assets. Calculations estimate that Oman's reserves, extracted by current methods, will cease to be profitable in 20 years. There are, however, new extraction processes, known as enhanced oil recovery techniques (EOR), which are constantly being researched and developed by Omani and foreign scientists. These include gas, polymer, and steam injection, whereby the pressure produced by pumping steam into the oil well heats the heavy crude, making it light enough to rise autonomously. The steam method is currently being tested at the giant Qarn Alam field. At current rates, Petroleum Development Oman says that only 3 percent of the field's reserves can be recovered. With steam injection, however, recovery at Qarn Alam could be boosted to between 25 to 30 percent. This adds up to between 250 million and 300 million barrels of oil, which at current prices would yield Oman an extra \$18 billion of income. The significance lies not in the fact that Oman may have a longer lease on its oil revenues, but in the actual marketability of techniques and experience in alternative methods of recovery. As more oil producing countries find their reserves maturing, Oman may opt to export its know-how in the near future.

But provisions made by Sultan Qaboos to diversify the economic base away from oil have already struck gold in the form of gas, which was discovered in large quantities in 1991. Proven natural gas reserves were pegged at 29 trillion cubic feet in 2004 and Sultan Qaboos saw the potential inherent in the discovery. By Royal Decree, the Oman LNG (Liquefied Natural Gas) project was set in motion, and in only nine years the step from discovery to export was made with the biggest development project undertaken in Oman. The LNG plant at Qalhat, the largest of its kind in the world at an investment of \$2 billion, saw its first export completed on April 6, 2000. The export of LNG has become the chief focus of Oman's diversification strategy.

The infrastructure of prosperity has also been greatly expanded through the development of Oman's ports. It was in fact Muscat's port that facilitated the very first

stages of Oman's modernization with shipments of construction materials and equipment. Oman has a great tradition of sea faring trade due to its welcoming nature and accessibility to major maritime routes. To better serve the country and once again capitalize on its geostrategic importance, one of Sultan Qaboos' first decisions was to have a port built with expanded capabilities, and in 1974 the Mina Qaboos port was completed, handling two million tons of cargo annually. The port now boasts a major container terminal with ten deep-water berths.

**"Provisions made to diversify the economic base away from oil have struck gold in the form of gas"**

Two new ports have also been built at Sohar and Salalah. Sohar is fast becoming a flourishing center of industry, heralding new prospects for economic activity. A state-of-the-art, \$956 million petrochemical plant is set to go online soon and an aluminum smelting factory will also help boost the manufacturing industry, another major sector in Oman's diversification strategy. Both plants will be supplied with natural gas. Port Salalah in the southern region of Dhofar is the closest to the Red Sea and Indian Ocean routes and it has become one of the largest and most sophisticated container terminals in the world, with 11 berths for freight including sufficient space to accommodate the largest, 5th generation cargo ships. In 2000, the ceremonial offloading of the one million TEU (Twenty foot Equivalent Unit) Susan Maersk took place with one of the world's largest cranes. Salalah also features a Free Trade Zone with first class facilities and transshipment services.

The government of Oman has simultaneously embarked on an ambitious project to modernize and expand the Salalah and Seeb International airports, to supplement the boom in cargo handling as well as the growing performance of Oman Aviation and Oman Air. The state carrier flew a record one-million-plus passengers in 2005, a testament to the growing interest in the country by foreign investors and tourists. Sultan Qaboos's consecutive five-year plans and the Vision 2020 strategy have brought Oman to such a progressive state of achievement and reliability that many business leaders wish to see the market wonder for themselves. As Oman steps away from the challenges of oil dependency and into a high-tech future, Omanis are counting their blessings.

## From Dry Deserts to Liquid Profits

The Sultan's smart transition to natural gas is fueling Oman's economic future

Oil has brought wealth and economic growth to Oman since 1967. The largest production company, PDO (Petroleum Development Oman), is also the second largest employer after the government. According to the PDO Annual Report, the consortium holds 90 percent of the country's oil reserves and reached a total oil production high of 840,000 barrels per day in 2000. But at current production levels averaging 752,000 barrels per day, Oman has less than a generation of reserves left as a significant oil-exporting nation. Important fields at Yibal and Fahud in the north are now maturing and only expensive techniques could increase recoverability.

Hence, when the existence of extensive gas fields in the desert of central Oman were confirmed by PDO in 1991, Sultan Qaboos bin Said saw a glorious opportunity to secure his nation's fortunes. With a considerable risk factor, he set out to create the largest project the world had seen using the most modern application of natural gas in the energy industry: Liquefied Natural Gas (LNG). Because of Oman's excellent track record and political stability, investors were readily available to finance the \$2 billion LNG project. Oman LNG, the company set up by Royal Decree to handle the downstream operations of the project, namely liquefaction, transportation, and sales, achieved financing of 80 percent, a level until then unprecedented for a development of that nature in the Middle East. The remaining funds were provided by the shareholders, including the government, Shell, Total, Korea LNG, Mitsubishi, Mitsui, Partex and Itochu. With a combination of international and Omani contractors, the LNG plant near Sur was connected to a 223-mile pipeline and completed successfully in record time.

On April 6, 2000, the first shipment of LNG became a reality. The 'Hanjin Sur' LNG tanker set sail for South Korea as part of a 25-year, 4.1 million tons per annum sale agreement with the Korean Gas Corporation (KOGAS),

marking a turning point in Oman's economic development. It constituted the largest-ever single gas contract between two companies. Additional Sale and Purchase Agreements were reached with the Dabhol Power Company of India for 1.6 million tons per year for a period of 20 years, and with Japan's Osaka Gas Company, purchasing 0.7 million tons annually for 25 years. Oman LNG's exports first crossed the Atlantic to the United States in 2000 as part of a contract with Coral Energy Resources. A further surplus is being marketed to the European Union and Total.

**"We treat our corporate values - Care, Transparency, Fairness, Loyalty and Respect - as the basis of the contract between ourselves and our stakeholders."**

**Dr. Agnus Cassens, CEO of Oman LNG**

LNG is produced at three liquefaction plants (referred to as 'trains') at Qalhat with a nominal capacity of 6.6 million tons per year. Production is likely to grow by more than 8 percent annually over the next four years through exports to Korea, Japan, China, India, Europe and the United States. Oman has also joined the \$3.5 billion Dolphin project, connecting the gas networks of the United Arab Emirates, Qatar, and Oman. Two new independent power plants being built at Barka and Al-Kamil with a combined capacity of 710 MW will run on Oman's natural gas. There is also enough gas to fuel the operations of the petrochemical and aluminum projects in Sohar. The gas also provides a source for domestic and industrial power generation and supplies the Oman India Fertilizer Company (OMIFCO) in Sur.

The ripple effect of Oman's expert utilization of its natural gas can be seen throughout the country's society, especially in that it has created employment and training opportunities for young Omanis. Trainees in Oman LNG technical programs are intended to develop their skills and work up to senior staff positions in the company's plant organization. As the natural gas industry is relatively new to the country, Omanis counted for only half of its workforce in 2000. However, with educational programs now geared towards the sector, the government's target for 95 percent Omanization by 2008 should be comfortably within reach. The company is also helping Omanis to learn how to set up and run their own businesses, which eventually might lead to contracts for services to Oman LNG. It has also provided scholarships for Omani students to pursue higher education courses overseas, as well as contributing to the Sultan's health services program by funding a \$45 million, 240-bed hospital in Sur.

Oman is confident that larger quantities of gas remain to be discovered. Even if oil still accounts for 40 percent of GDP, new joint ventures in gas, such as the third train built and brought online in January 2006 with Spain's Union Fenosa, will drive the profits upwards and prove the Sultan's strategy has paid off. Not only have gas resources become a veritable energy catalyst for his people, but equally for the nations importing Omani LNG.



## Polypropylene Project Spurs Opportunities

Plastics have become an everyday companion to our lives. Their versatility has made them one of the most widely used industrial materials. Even though plastic has replaced many wooden, ceramic, and metal items, it is still a direct derivative of a natural resource, crude oil. For a nation blessed with oil, the profitable market of plastics and polymers represents an opportunity for diversification. A new ambitious project in Oman is setting out to take advantage of this opportunity. At the impressive industrial estate of Sohar, 155 miles northwest of the country's capital Muscat, the Oman Polypropylene Company (OPP) has invested \$320 million in a state-of-the-art production plant.

The Sohar complex has been specifically designed to maximize the value of oil and natural gas resources, as Dr. Mohammed Benayoune, Chief Executive Officer of OPP explains. "The only way to accomplish this was to transform a barrel of crude oil into various useful fractions and set up downstream industries. This way you are creating jobs, creating business opportunities, and creating wealth. Omani businessmen can set up new businesses which contribute to the economic development of the country." The vision of Oman is to see crude developed from the ground up and converted to finished goods, and OPP is the first project in a chain of ensuing added value production projects. All in all, the Sohar petrochemical complex amounts to a \$5.5-6 billion investment in its first phase.

Being the most versatile of plastics, Polypropylene has a large number of applications from coffee cups to

flexible packaging, fibers, electrical appliances, medical products and inputs for the construction industry. "The per capita consumption of Polypropylene is over 20 kilograms in the developed world, and around 6 kilograms in developing countries," says Dr. Benayoune. "The average growth rate of Polypropylene is estimated at 6 percent over the next 5 to 10 years, the highest among most commonly used plastics." The plant's annual capacity of 340,000 metric tons of Polypropylene manufactured in pellet form will feed the extended industrial base that the government is actively inviting investors to build. Companies with smaller investments of up to \$20 million can thus produce more downstream products and enjoy the attractive incentives, transparent system and advantageous location of Oman within the Middle Eastern, Indian and African region.

Dr. Benayoune points out that Sohar is a textbook example of the Sultan's Vision 2020 plan to give the people of the region an equal distribution of Omani wealth. "Oman is pragmatic about what it is. It may not have the same human resources as India, but Omanis are participating in the progress of Oman and we are exploiting its geographic location. Many industries are already exporting to markets in Europe, India, and America. By 2020, Oman will find its much deserved place." Opportunities exist in many different areas as Sohar is experiencing growth in infrastructure along with a number of new projects in the pipeline. With the combined vision of Oman and OPP, a small pellet of Polypropylene can become a powerful driver of progress.



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# A Majestic Investment in Infrastructure

## From e-ticketing to e-governance, Oman heralds a high-tech future

How big is the step from dirt roads to the digital highway? In Oman, the development of both has been part of the same adventurous journey that has brought Omani citizens closer together on one hand, and on line with the world on the other.

In 1970, Sultan Qaboos inherited a nation that appeared hopelessly underdeveloped. The only paved road in the entire nation ran for a distance of about eight miles from Muscat through Mutrah to Bait al Falaj. It was obvious that were Oman to become a thriving nation, serious investment would be needed to develop its infrastructure. New roads, ports, housing, and communication networks would have to be built, almost from scratch. This gargantuan task must have seemed like a dizzying and laborious project to some, and it would take decades to complete. But against most odds, change came rapidly at the hand of Sultan Qaboos's insightful and effective implementation. A new asphalt road between Mutrah and the new airport at Seeb was opened in 1973, later extending to Sohar. Even the remotest parts of Oman were made accessible to drivers when a whole network of roads was cut through the rugged and precipitous mountains of the Musandam in 1980. By 2000, more than 5,219 miles had been paved, while a further 15,770 miles were graded, with considerable rural bridge building and flyover construction in the capital area. Wherever new projects surface, like with the Qalhat LNG plants, new roads, public bus routes and housing are extending the network, continuously improving the daily lives of Omanis.

### Facilitating Private Sector Development

Offering an efficient basis for business-related activities has now become the primary focus of Oman's infrastructure policy. The Sultan shows no sign of slowing this development, despite the already high standards of Oman's existing airports, seaports, roads, and industrial estates. "It is essential that Omani society - government and citizens - realizes the need to be prepared for encountering the challenges of globalization," the Sultan says. "We shall do so through the improvement of our national capabilities, basing the economy on the firm foundations of international competitiveness and productivity, enhancing the performance of our institutions, and recognising the value of knowledge, technology and research, which are the keys to progress. This will create the climate which will ensure the sustainable growth of the private sector and its broad contribution to development plans and economic policies."

This attitude, and the changes it has brought, have cleared the way for foreign investment in major real estate and tourism developments including projects like The Wave Muscat and The Blue City. Most importantly, it has ushered in a new era of public-private partnerships, privatizations, and liberalizations of key state

companies. With the expertise of global enterprises, the country is making a majestic step forward into the digital age, and "Digital Oman" is the new mantra. It encapsulates all layers of infrastructure services, from Oman Air offering e-tickets for its flights - the first airline to implement the system in the Middle East - to online government services, essentially transforming Oman to an e-sultanate. "The government of Oman has created the national digital strategy," confirms Dr Mohammed Ali Al-Wohaibi, Executive President of state-owned Omantel. "Its action plan is to build an excellent infrastructure, which will enable the linking of all government agencies and further connecting all Omani schools into one major and secure network."

**"Omani society should be prepared to encounter the challenges of globalisation"**  
Sultan Qaboos

To tackle the challenges posed by digital distribution, Oman has announced that the telecommunications sector is to be completely liberalized. The move will allow non-government entities to enter the country's fixed-line and Internet markets. State-owned Omantel currently holds the monopoly license in these sectors, while the mobile sector has two license holders, Oman Mobile and Nawras, a joint venture between Qtel of Qatar and Denmark's TDC. Dr. Al-Wohaibi stressed the importance of flexibility in the sector. "Currently, when we think about the Internet, we think about cables, but in the future, we will witness several means such as small devices and mobile phones being able to access the Internet more cheaply and more efficiently. That is the way our future will unfold in the telecom sector."

Putting Omani people in touch with the latest developments in the ICT sector, Muscat hosted the 8th Arab Telecoms and Internet Conference in May of this year. Great interest was registered in a presentation on Wireless Broadband Technologies, given by the market leader in the field, Motorola. As United States cities Philadelphia and San Francisco prepare to offer complete Wi-Fi coverage, the possibilities offered by the next generation of wireless access, Wi-Max, increases the opportunities for nations like Oman to distribute Internet access in far wider areas, including remote communities. One Wi-Max base station is capable of offering access in a range of 31 miles, where a whole network of Wi-Fi base stations would otherwise be needed to service the same area.

"Our objective is to narrow the gap in digital knowledge between the East and West, which is affecting several other fields," says Oman's Transport and Telecommunications Minister, Sheikh Mohammed bin Abdullah al Harthy, adding that the Arab world must keep up with global growth and development of the telecoms and Internet industries. Thanks to the infrastructural progression facilitated by Sultan Qaboos so far, Oman is already well advanced on the road to its digital destination.

## In Support of Religious Freedom

During his 35-year reign, His Majesty Sultan Qaboos has sought to re-affirm his country's tradition of religious broad-mindedness. Throughout this period, the Sultan has consistently condemned fanaticism, attributing it to a lack of correct knowledge among some Muslims which could lead to violence, discord, and hatred. Sultan Qaboos is at pains to stress that, as a religion of tolerance and peace, Islam rejects any such exaggeration and bigotry. Needless to say, following the tragic events of September 11, 2001, His Majesty expressed his country's condemnation of the acts, and called upon the international community to reject terrorism and remedy its causes. But while some might argue that the Sultan's liberalism is a contemporary approach, in keeping with the country's modern vision, others insist that his values embody a deep-rooted tradition of tolerance.

The Omani people's tolerance towards the practice of other faiths is deeply entrenched in their history and culture. As long as 360 years ago, a treaty was signed according to the English the right to exercise their religion. This same liberalism allowed Christian missions to be established in the country from the 19th century onwards. From the tenth century, Jewish immigrants fleeing persecution from as far afield as Baghdad were allowed to settle freely and establish coastal communities.

**"You must avoid letting anyone usurp your freedom of thought in any way, whether on religious or other grounds. People must use their minds and think, and there are situations where the use of the intellect is necessary so that excessive fantasy or fancy can be held in check."**

Sultan Qaboos

While Islam is the main faith of the Omani people and is deeply embedded in the cultural life of the country, Oman has developed a unique branch of Islam, called Ibadhism. While not all Omanis are Ibadhi Muslims, and there are other sects such as Shia, the vast majority adhere to this most liberal of interpretations. Since Ibadhi Islam is noted for its tolerance of other faiths, the various branches of Islam coexist peacefully in Oman.

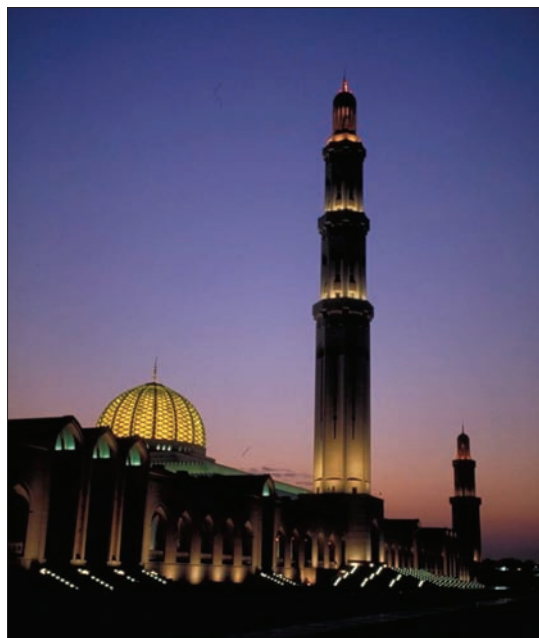
This historical tolerance has been a feature of Omani society and one that extends to the Sultanate's relations with other nation states. It is because of this tradition of tolerance and civilized values that the Sultanate rejects all

forms of fanaticism and extremism and calls for mutual understanding and freedom of thought and belief. Religious tolerance is enshrined in the law, which stipulates "freedom to practice religious rites in accordance with established custom is guaranteed, provided that it does not infringe upon public order or decency."

**"Injustice is darkness, and we are against injustice and darkness and on the side of justice, light and harmony. Mankind will only enjoy happiness and a sense of security if there is justice and respect for all those things which guarantee human beings their legitimate rights."**

Sultan Qaboos

Accordingly, non-Muslims who reside in the Sultanate are free to practise their faith in their own places of worship, while the Omani Personal Status Law guarantees that they will be afforded the same rights extended to all residents, regardless of religious affiliation, provided that they are not incompatible with Omani traditions.



### Of Minarets and Mosques

There are more than 13,000 mosques in Oman, displaying a range of Islamic architectural styles. The most prominent mosque in Muscat is the Sultan Qaboos Grand Mosque, which was opened in 2001. This exceptionally beautiful mosque features five minarets representing the five pillars of Islam, and can accommodate up to 16,000 worshippers. It has a range of facilities including the Sultan Qaboos Centre for Islamic Culture, which has made a substantial contribution not only in highlighting the Islamic nation's cultural values and its modern approach to day-to-day issues, but also in encouraging dialogue with other civilizations and peoples by inviting specialists from around the world to participate in its programs and activities.



## Tourism Lives Up To its Legend



It's no wonder that Oman is rapidly becoming a tourism hot spot. Crystal blue waters, golden beaches and luxurious hotels are only a few of the attractions that form part of an unforgettable experience awaiting voyagers. Every effort has been made to create the most welcoming environment possible for travelers in terms of hospitality, service, and environment. The country boasts immaculately maintained architecture in traditional styles, world-class restaurants, and a genuinely friendly population who go out of their way to welcome visitors.

**"We are aiming to enhance our offering through luxury hotel projects and greater spending on infrastructure, working closely with airlines and attracting tourists to sample our culture and heritage."**

**Minister of Tourism Rajha bint Abdulameer bin Ali**

To expand on Oman's tourism opportunities, Sultan Qaboos created the new Ministry of Tourism, headed by female Minister Rajha bint Abdulameer bin Ali, which was allocated \$28 million to promote the sector worldwide. "Europe, especially the United Kingdom, France, and Germany, is our key market," says Mrs. Abdulameer. "We are aiming to enhance our offering through luxury hotel projects and greater spending on infrastructure, working closely with airlines and attracting tourists to sample our culture and heritage." Tapping into Oman's natural and historical attractions, public and private investments are enhancing the Sultanate's tourism sector through more than fifteen major projects worth a total of \$17.14 billion. New expansions of the Seeb and Salalah International airports are expected to increase the amount of passenger arrivals from 2.7 million in 2000 to 8.5 million by 2007. Relaxed visa regulations now also make it easier for travelers from 76 nations to visit the country.

The Al Bustan Palace InterContinental, situated on the Gulf of Oman in the midst of 200 acres of lush, green gardens, has become a benchmark in the Middle East for both leisure and business clientele. North of the capital, the Blue City Project has already attracted growing international interest, where many a celebrity - including Michael Jackson - are rumored to have bought residences. There is no longer any doubt that Oman is experiencing a boom in tourism, an appropriate recognition of the Sultan's loving preservation of his country's cultural, historical, and environmental splendors.

"I reaffirm the necessity to give tourism a priority in the future development program," states the Sultan. "This sector has great potential for growth and for making an effective contribution to economic diversification, since our dear country possesses splendid tourist assets such as its historic heritage, natural beauty, perfect environment, folklore, and traditional industries." In addition, the Sultan points out that the nation's security, stability, and spirit of tolerance make it a destination where visitors feel safe and relaxed, a rare quality within the modern Middle East.

"The number of hotels has increased to 147 in 2005, up from 100 in 2000," Tourism Minister Rajha bint Abdulameer Bin Ali confirms. Of the fifteen major tourism projects in Oman, the best known is the recently opened Shangri-La Barr Al Jissah Resort and Spa in Muscat. The Resort combines three hotels catering to different clientele with a variety of restaurants, beaches, and other facilities.

In addition to the increase in hotel beds, another kind of development is taking place. The Blue City project has attracted a great deal of attention but will go online after another, similar project, called The Wave Muscat. The primary objective of the first phase of The Wave is to promote residential tourism with a site area of roughly 2.5 million square meters, including more than 3,000 residences. The Wave, to be completed by 2008, is a joint venture of three investment companies for an estimated cost of \$997 million.

Oman has also been pursuing an environmental strategy to preserve its ecological balance while fostering its economic development. The Sultanate is thus supporting eco-tourism, sports tourism, and adventure tourism through several leisure and recreation infrastructure projects, such as the creation of trekking routes in the mountainous areas in the northern regions in the country. Oman also offers desert safaris, first-rate diving, and the opportunity to relax on unspoiled, nearly unvisited, beaches. From the 1700 kilometers of coastline to the heights of Jebel Shems and the green of Salalah, Oman has something to offer every traveler and combines its array of natural wonders with the opportunity to experience an ancient culture preserved in a modern society.

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## The Sultan's Vision 2020 and His Dedication to Oman's Welfare

Can an Arabian state's rise to riches be compared to the American dream? Many an investor will admit that the near-miraculous achievements of Sultan Qaboos bin Said's development strategy reflect nothing less than pure ambition, vision, and hard work, whose implementation has made Oman a success story. The aforementioned ideal was untainted by the motivation of personal wealth; the Sultan instead kept the prosperity of the entire nation in view. In the grander scheme, however, the drive and dedication of the Sultan are unparalleled, and perhaps not so far removed from that of any successful businessman, American or otherwise.

Qaboos's stamina is unflinching, and he has managed to keep his eye on the proverbial ball to make sure it stays on target for a clean-cut passage between the goal posts. One might say that it has already passed several times, earning Oman the status of an unbeatable winner, but the Sultan is not one to rest on his laurels and he continues to guide his country to victory through obstacles such as isolation, illiteracy, poverty, religious and cultural intolerance, healthcare problems, economic dependency on single commodities, as well as internal and regional security issues.

To get an idea of where Oman's tireless sovereign derives his inspiration from, one only needs to look at his experiences in the years leading up to his accession to the throne. At the age of 16, his father, the Sultan Said bin Taimur, sent him to a private educational establishment in England. The advantages and indeed the necessity of proper schooling were evident to Qaboos, and would become a priority in his social development policies. In 1960 he entered the Royal Military Academy at Sandhurst, Great Britain's prestigious Army Officer training center. Subsequently, he joined a British infantry battalion on operational duty in Germany, acquiring the virtues of discipline and focus. Following his military service he studied local government in England and concluded his time abroad with an invaluable world tour, where the Sultan encountered diverse cultures and ways of life. On his return to Oman, he commenced six years of reflection, during which time he studied Islam and the history of his country and people while residing in Salalah, his place of birth.

By now, Qaboos had formed a clear picture of what his country's possibilities were. In July 1970, the time had come to bring his vision to the people. In a speech to young officers, the new Sultan spoke of how his own military training had influenced his outlook. "I know that the values that I absorbed will remain with me forever afterwards. I learned that discipline is not just something one imposes on others: it is something that one has, above all, to apply to oneself if one is to be a worthy leader. I learned also the true meaning of service: that it is to give and not to expect to receive: that it is the team and not oneself that matters. I learned that with responsibility comes obligation."

In 1995, following successive five-year plans, the Sultan had formulated a program outlining Oman's economic path for the next 25 years. The fundamental goals of the Vision

2020 strategy were twofold. First, the program aimed to develop and upgrade Omani human resources to cope with technological progress and to attain international competitiveness. The second overarching strategy was to empower the private sector to collaborate with the government in optimizing human and natural resources in an efficient and ecologically sound way. Other goals included utilizing the geostrategic location of the Sultanate, optimizing the use of its natural resources, promoting economic diversification, and ensuring that the fruits of development are distributed amongst all regions and all citizens. The Sultan also focused on the need to preserve, safeguard, and develop the achievements of the previous 25 years. It was clear that the private sector was going to become an important contributor to Oman's development and that the introduction of modern technology, IT, and telecommunications would improve the Sultanate's competitiveness in a global market.

This included developing closer trade ties with the United States as a strategic partner in the growth of Oman's private sector.

On January 19, 2006, Oman signed a Free Trade Agreement with the United States, the fifth Middle Eastern nation to do so. Apart from eliminating tariffs and barriers, enabling expanded bilateral trade, the agreement also enhanced the initiative of President

George W. Bush to create a Middle East Free Trade Area (MEFTA). It would strengthen cooperation and commerce in the region. The US has signed similar agreements with Morocco, Israel, Jordan, and Bahrain, and is in negotiations with the United Arab Emirates. The moment Oman's FTA goes into effect, the US will abolish 100 percent of consumer industrial tariffs and 87 percent of agricultural tariffs faced by Omani exporters. In return, Oman has agreed to provide extensive market access and a secure legal framework for US investors. From the swift conclusion of talks between the two nations (negotiations were completed in a record seven months) it is clear that Oman is willing to open trade links and promote peace in the region. The holdup, however, is due to delays in the US Congress ratification process. Meanwhile, the American Senate Finance Committee on May 18, 2006 gave a unanimous preliminary approval of this agreement. The US expects the FTA to sail through Congress smoothly. US goods exports to Oman were already boosted by \$263.2 million in 2005, as totals were up to \$593.3 million from 2004's \$330.1 million. All that remains is for Oman to solidify its labor laws, and once the FTA has been ratified, the Sultanate's transition to a private sector-led economy will have been accomplished, and the Sultan's vision achieved.



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