

OMAN

Diversification of the economy remains the top priority for the Sultanate of Oman, which has already made great progress in the privatization and liberalization of the economy, with a focus on job creation and encouraging foreign direct investment.

With an open market economy, Oman has established a conducive investment environment, with political and macro-economic stability reflected in minimal inflation, comfortable foreign exchange reserves and a stable and freely convertible currency, pegged to the US dollar. There is full freedom to repatriate capital and profits, and liberal investment and tax laws.

Oil remains the major export earner, accounting for 75% of total exports, and the government aims to achieve diversification by focusing on five main areas: tourism, natural gas-based industries, privatization, information communications technology (ICT), and maximising the trading benefits of acceding to full membership of the World Trade Organization (WTO) in October 2000. Fisheries is also an important area for development.

Underlying the diversification strategy is a recognition of the importance of education and training. "With a new digital economy

based on new technologies, we need a new type of education, and better qualification and training for human resources," says HE Dr Abdulmalik Al-Hinai, Under Secretary of State at the Ministry of National Economy. Improving the skills base is also one of the fundamental economic goals set out in the long-term strategy Vision 2020. It will also help to achieve the parallel goal of "Omanization" – the replacement of expatriate workers with Omanis.

The groundwork is laid to encourage greater foreign investment, with new laws to conform with WTO agreements, including customs valuation and protection of intellectual property. The services sector is being liberalized, with branch offices and wholly foreign-owned subsidiaries in sectors such as computer-related and financial services allowed for the first time. "We are continuously engaged in making the investment climate as conducive and investor friendly as possible," says HE Maqbool Ali Sultan, Minister of Commerce and Industry.

Future development is dependent on a robust transport infrastructure, and Oman has expanded the road, sea and air links to enhance its role as a multi-modal transshipment hub and center for intra-regional and global trade. Privatization has been crucial to this process. For example, Salalah Port was privatized in 1996, with the government maintaining a 20% stake. To date, the government has

invested \$140 million in infrastructure at the port, and Salalah Port Services Company nearly \$230 million in equipment and manpower.



*HE Maqbool
Ali Sultan,
Minister of
Commerce
and Industry*

Port Sultan Qaboos in the capital city of Muscat is home to industrial estates taking advantage of Oman's mineral deposits, fisheries and agriculture, and already handles some 500,000 to 600,000 tons of general and containerized cargo a year. Sohar Industrial Port, which concentrates on the metal and hydrocarbon industries, has also been expanded, and a new port constructed at Wilayat al Duqm. Khasab is the main cruise ship port, with Port Sultan Qaboos and Salalah Port also welcoming cruisers.

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Bank Muscat

BankMuscat is the largest banking entity in Oman, with full-scale presence in corporate, retail and investment banking and asset management. It has an asset base of \$4 billion, with 95 branches throughout Oman, a branch in India, one in Bahrain and a representative office in Dubai. The dominant shareholders are Diwan of Royal Court, Société Générale and government pension funds.

Market leader with some 37% share of loans and advances, Bank Muscat plays an active role in the financing of projects such as the Manah Power Project and Salalah Port Project, and in lending to companies such as the Oman Gas Company which operates the Salalah and Sohar gas pipelines. The bank has been continuously developing its corporate and asset management business, advising the government on the Mio Sohar Power and Water Project and on the Oman Cement Company Privatization Project. It is the clearing bank to the Muscat Securities Exchange.

Bank Muscat has an international rating among the highest granted to any Omani bank, and a clutch of awards to its credit. These include: Best Bank in Oman by *Banker* magazine (2002), *EuroMoney* (2002) and *Global Finance* (2002, 2003). It was selected as the best place to work in Oman by *Business Today* (2002), and CEO Abdul Razak Ali Issa was voted by the magazine as the Best CEO in Oman (2002).

Bank Muscat aims to be a major regional player by the end of the decade. It has already extended its reach by acquiring ABN Amro Bank operations in Bahrain and is currently evaluating other opportunities to grow in the region.

Bank Muscat CEO Abdul Razak Ali Issa, Best CEO in Oman (2002)

Upgrading programs at Seeb and Salalah International Airports and four domestic airports were completed in 1995, involving a capital cost of over 50 million rials (\$19 million). The contracts for the operation and management of Seeb and Salalah Airports have been awarded to Oman Airports Management Company, a joint venture with British Airports Authority. This should improve competitiveness, route network and efficiency, and includes the development of a new terminal at Seeb.

Oman Air grew from a ground handling company and commenced passenger operations in 1993. Today, it has a modern fleet of jets covering scheduled services to an area stretching from the Middle East, through the Gulf area to the Indian Sub-continent and East Africa. A code-sharing agreement with Gulf Air, Sri Lankan and Swiss Air extends the reach to Bahrain and Zurich. Its decision to remain a regional carrier has protected Oman Air from the worst of the recent problems affecting the travel and tourism industry, according to CEO Abdul Rahman Al Busaidy. In fact, intra-regional traffic has grown, and the airline has launched a new department, Oman Air Holidays. "A key goal for the Sultanate is increased inbound tourism. As Oman's attractions and facilities are improved over the next three to five years, Oman Air will increase its fleet and services to ensure this goal is met," says Al Busaidy. 66% of the company is owned by private shareholders, with the government holding the remainder.

The extensive road network connects these vital centers of trade with townships and regions producing agricultural and fisheries goods as well as sites of mineral deposits and including the industrial parks of Muscat, Salalah, Sur, Nizwa, Buraimi and Sohar. Meanwhile, roads along the coast and to all major cultural and recreational destinations have been established to assist with tourism promotion.

The state telecommunications provider, Omantel, has also played a major role in the renaissance of the Sultanate, investing in a raft of state-of-the-art technology – 78.1 million rials (\$30 million) was

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Many a "best" has come our way in recent times. *Best Bank in Oman* (2001, 2002 & 2003) - *Global Finance*, New York. *Best Bank in Oman* - *EuroMoney*, London. *Bank of the Year* - *The Banker*, Financial Times, London. *Best Place to Work* and *Best CEO* - *Business Today*, Oman.

We are honoured, to take the bow yet again.



invested in capital projects in 2001 alone. The fixed Public Switching network uses 100% digital exchanges, with a capacity of nearly 300,000 lines. Public payphones complement domestic lines, and a prepaid calling card was successfully introduced in 2001. Omantel has a commitment to invest in rural areas, and has established connections in remote villages. Wireless Local Loop will speed up implementation, even in difficult terrain where cabling is impossible or uneconomic. A program of improved customer service has been implemented and call rates were reduced in 2000.



Dr Amer Awadh Al Rawas, Vice President, Omantel

The introduction of GSM mobile services at the end of 1996 has proved so successful that demand now outstrips fixed line services. Prepaid GSM and SMS texting are very popular, as are paging services. The uptake of Internet services, available since 1997, is growing at a rate of 60% a year. An investment of more than 252 million rials (\$97 million) is planned over the next five years, with broadband, ISDN and ADSL enabling e- and m-commerce facilities including video conferencing and call centers. Prepaid Internet services are also all on their way.

Oman has its own fiber optic network, and is connected to the rest of the world by two satellites and submarine fiber optic cable. The company places a strong emphasis on training. "Training has a vital role to perform in the employee development process. Omantel has taken this challenging task to develop and maintain a syllabus in an environment of constant technological change. This enables Omantel to cope with the ever changing technology, massive development and high quality service required by our customers," says Vice President Dr Amer Awadh Al Rawas.

The government plans to part-privatize Omantel by the end of 2003, offering 20% as an Initial Public Offering (IPO), with a further 10% distributed among state pension funds.

Siemens in KOM, what is IT about?

Imagine, a nice place in Oman where you can design a new application idea, develop it and implement it in Omantel network so that you can use it from both your mobile and fixed line. Think that this idea can be used by other Omantel subscribers. And why not benefiting other subscribers in the region from your idea? That is what Siemens, together with Omantel, is looking for in the Knowledge Oasis Muscat (KOM) when the world is moving towards data and applications. The Omantel Siemens Development Center for Telecom Solutions is a unique environment in the region for a converged network development and testing platform. The latest technologies such as Next Generation Access, IP-Backbone, GSM, GPRS, Intelligent Network and an Open Service Platform compose it.

The Development Center for Network Solutions is designed to support Omantel in its effort of enabling its employees on new technologies (state-of-the-art training platform). Furthermore, development of Value Added Service is becoming possible through the open interfaces offered. This would offer great possibilities for the incubators of KOM. Omanis and foreign companies can realize their business ideas in Next Generation Applications with a special focus to Arabic content and local culture. These Applications can then be marketed not only in Oman, but also in the whole region. The Development Center for Network Solutions will also be used by two new IT colleges within KOM and the nearby Sultan Qaboos University for practice hours, ensuring highly qualified telecom engineers on latest technologies.

It will satisfy different application demands from the end users, from lifestyle to business in the shortest possible time, and so generate new business with new business models.

This outstanding comprehensive Development Center for Network Solutions, representing a showcase for converged fixed-mobile network in terms of data, voice and video in this unique environment, will give Omantel and therefore the Sultanate of Oman an edge in the region.

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NATURAL RESOURCES

Oman benefits from extensive resources of oil, natural gas and minerals, and is investing in the technology to continue to be able to tap these rich seams of revenue well into the future.

Oil is still by far the greatest contributor to GDP, accounting for 80% of government revenues. It is estimated that oilfield reserves total around 49 billion barrels, and in 30 years of operation only 15% has so far been extracted. Average production is 930,000 barrels a day.

Oman Oil Company (OOC) was set up by the government in 1992 as a vehicle for pursuing investment opportunities in the energy sector, both inside and outside Oman. OOC is 100% owned by the government, and its Chairman is the Minister of Commerce and Industry, HE Maqbool Ali Sultan.



John Crocker,
General
Manager, Shell
Representative
Office in
Oman

Within Oman, OOC is focused on developing partnerships with private sector companies to develop gas-based industrial projects and other downstream energy and energy-related projects. Its current portfolio includes the Oman India Fertilizer Project at Sur, two petro-chemical projects, an aluminium smelter, a greenfield refinery and a polypropylene project, all part of the new industrial complex and port facilities at Sohar. OOC also owns 20% of Oman Gas Company. Outside Oman, OOC is pursuing commercial ventures to create alternative sources of revenue for the government. It is already involved in upstream energy projects in Kazakhstan.

The predominant petroleum operator is Petroleum Development Oman (PDO), in which the government has a 60% holding, Shell 34%, Total 4% and Partex 2%. "It's been a very successful partnership in developing what are, in this region, the most geologically complex reservoirs, and Shell's technology has indeed played a part in that," says John Crocker, General Manager Shell Representative Office in Oman.

Shell is the only major foreign petroleum company operating in Oman, but the Ministry of Oil and Gas is encouraging smaller companies to the oil sector. PTT Exploration and Production of Thailand, Hunt Oil of the U.S., TotalFinaElf and Novus Petroleum have all signed concession agreements.

The public face of Shell in Oman is Shell Oman Marketing Company, with 116 gas stations. It is a joint stock company, with 49% owned by Shell and 51% by Omani shareholders.

Although Shell has been operating in Oman for almost 60 years, it only opened an office there in 2002. This was largely to avoid conflicts of interest with joint venture partners, explains Crocker. It is also due to Shell's determination to contribute to social investment. It has set up a joint venture with Sultan Qaboos University to create a research center for COM binate geology.

PDO has also made some major gas discoveries, triggering the development of



Shell's historic roots in Oman go back to 1937 – landing at Duqm in central Oman in 1954

Central Oman Gas which led to the Oman Liquefied Natural Gas Project (OLNG), completed in 2000. Shell is technical advisor to OLNG and has a 30% stake in the company.

Natural gas is now the cornerstone of Oman's diversification program, and LNG exports doubled in 2001. The government has decided to go ahead with the construction of a third LNG train, and has signed an agreement with Union Fenosa of Spain for the sale and purchase of 50% of the planned output from the new train. The contract is for 20 years, and exports should begin in 2006. ■

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