

# [Introduction to the sultanate of oman economics essay](https://assignbuster.com/introduction-to-the-sultanate-of-oman-economics-essay/)

The Sultanate of Oman is a place of unrivalled natural beauty and cultural richness. Oman is considered to have some of the most beautiful landscape in the Arabian Peninsula.

Even in its modernity, Oman remains distinctly Arabic and offers many unique old-world wonders. As the oldest independent state in the Arab world, Oman has a wealth of archaeological and historical marvels, including ancient walled cities, forts and mosques.

Oman has transformed access to education over the past 40 years, and is now expanding post-school education and training. Oman is diversifying its economy away from oil and gas, and there has been strong growth in tourism, IT and the knowledge-based economy in recent years. Oman has a predominantly young population, with over 70% of people under the age of 30.

The Sultanate of Oman (maps) occupies the southeastern tip of the Arabian Peninsula – 300, 000 sq. km boasting some 1, 700 km of coastline stretching along the Indian Ocean and the Arabian Gulf. It is the second largest country in Arabia, and has the most diverse landscape including fjord-like rugged mountains in the far north, magnificent tracts of desert and a lush south.

An ancient civilization, Oman’s history can be traced back to 12, 000 BC. The country is strategically located on the crossroads of several trade routes that linked the ancient world. It became a center of power in the 17th century with Omani rule extending from Zanzibar in East Africa to parts of Persia and Pakistan.

Oman takes pride in its rich cultural and architectural heritage bestowed by hundreds of years of international trading and foreign occupation. Evidence of a glorious ancient past is spread all over the country which spread all over the country which boasts more than 500 forts, castles, and towers. Their diversity and numbers reflect the high standards achieved by Omanis in architecture. Trips to the Oman museum at Qurm and to the Natural History Museum in Al Khuwair are invaluable in helping the visitor gain an insight into Oman’s history. The Sultanate’s varied geography makes for a wide range of climatic conditions. The best time of the year to visit Oman is between October and April, when the weather is pleasantly warm in the day and cool in the evening. Temperature average is 25-35 degrees centigrade during the day and plummet to 17-19 degrees centigrade at night.

Oman enjoys many unique features including an unspoiled culture and lifestyle traditional in almost every aspect. The people are friendly and offer incomparable hospitality. A rich variety of flora and fauna abound, together with panoramic beauty witnessed in its mountain ranges, deserts and sand dunes.

Overall Industrial view of Oman

Industrial development receives great importance in the country’s development plans so as to reduce Oman’s heavy reliance on oil. A number of projects are engaged in producing intermediate goods for construction, and a wide variety of manufacturing goods are produced in the country, ranging from food and beverages to furniture, textiles, paper products, chemicals, fabricated metal products, electrical goods, consumer products, etc.

New manufacturing industries have been growing through continuous encouragement by the government through soft loans, good infrastructure and facilities, import duty exemptions, etc. The government has also established industrial estates in Rusayl, Raysut, Sohar and Nizwa. The small size of the local market and free imports are major constraints on development of the manufacturing sector. The manufacturing sector contributes more than 10% to the GDP. However, this contribution is expected to increase with plans to develop gas intensive industries including a petro chemical complex, a fertilizer plant, an aluminium smelter plant, etc. The government is actively promoting Sohar as an industrial Center, through the Sohar port and providing incentives to the private sector. The Omani Center for Investment Promotion and Export Development was established by the government to promote private sector and foreign investments, and to support the export of Omani products. The Center also acts as a one stop shop, offering various services to investors including processing of proposals, assistance in raising finance, facilitating / obtaining of licenses, approvals, exploring foreign markets / customers, etc.

## Market Opportunities

Oman offers stability, security, a predictable investment climate, respect for free markets and property rights, rule of law, access to capital, good health care and schools, easy access to global markets through a modern infrastructure network, and a strong demonstrated commitment to Intellectual Property Rights enforcement.

Although oil and gas production will remain the backbone of Omanâ€Ÿs economy for years to come, the non-oil sector of the economy is making great strides. Growth areas include: infrastructure, including rail and airports; water and power projects; medical equipment, services and supplies; construction and engineering services; building products; renewable energy construction, technology, and services; industry; and aquaculture. The Ministry of Finance announced that as part of the 2011-16 Eighth Five Year Plan, RO13bn ($33. 8bn) would be spent on infrastructure, e. g., ports, highways, rail and airports, with RO8bn (S20. 8bn) focused on financing oil and gas projects to achieve 15-17% growth in the sector and RO3. 4bn ($8. 84bn) for the electricity sector in order to keep pace with 7-10% annual demand growth fueled by tourism and industry. RO700m ($1. 8bn) has been allocated to the tourism sector, which is aiming for 11% growth with a focus on meetings, industry conventions, and exhibitions; RO 500m ($1. 3bn) will be

directed toward resorts and conference centers while RO 200m will be earmarked for infrastructure.

The GoO is spending $9bn to develop various economic zones around the country, with $3bn invested just in Salalah port and free zone. Salalah boasts a unique location astride international shipping lanes, connecting American cargo to India, Southeast Asia, and the Middle East within two weeks. The port has also recently announced a new intermodal facility in partnership with OmanAir. Duqm special economic zone, the newest, will be one of the largest in the world once completed, and has attracted $6bn in public and private investment so far, with up to $15bn expected in the next decade. A joint venture with the Port of Antwerp, Duqm can accommodate the largest ships in the world and is located near Al Wusta, the site of many minerals as well as oil and gas resources. By 2014 the Port of Duqm expects to be able to accommodate ships of up to 150, 000 deadweight tons in its multi-purpose, container, and dry bulk terminals, with liquid jetties following in phase two. Plans for Duqm Economic Zone include: an oil refinery and petrochemical complex, a ship repair and construction dry-dock, fuel storage and bunkering facilities, a fish farming complex, and the construction of two tourist hotels. In addition, the new surrounding city will require sewage treatment, drainage, water desalination, power plants, buildings, telecom services and landscaping. A joint venture with the port of Rotterdam, Sohar port and free zone also hosts the worldâ€Ÿs largest vessels, offers cargo, liquid and container terminals, and is also located in a mineral rich region. Sohar has found success hosting downstream industrial activities such as sulfur processing, aluminum rolling and steel pelletizing in its adjacent free zone. The port/free zones offer investors well-equipped facilities outside the congested Strait of Hormuz to serve as low-cost manufacturing and re-export hubs; in 2011, Omanâ€Ÿs chemical exports achieved a 121. 5% growth rate, while base metal exports grew by 51. 5%.

American investment in Oman is addressed in the U. S.-Oman Free Trade Agreement. American companies may register as an Omani firm, with 100% American ownership. GCC investors are also permitted to fully own companies in Oman. Other nationalities are bound by the Foreign Business Investment Law of 1974, as amended. In general, the law limits non-American / non-GCC foreign shareholding to 65% of any company, thus requiring other foreign investors to partner locally unless they seek an exception from the Omani Cabinet, which may decide to allow a fully foreign-owned company to form in Oman based on national interest. American companies must only demonstrate capital reserves of OR 20, 000 ($52, 000) to start a basic LLC, whereas other foreigners are subject to a minimum of OR 150, 000 ($390, 000). Corporate profits are taxed at a flat rate of 12%, and the first $78, 000 is tax free. For special free trade zones there is up to a ten year holiday on taxation. Oman does not have a personal income tax or sales / value-added taxes. There are a few local and “ luxury” taxes mostly aimed at tourist facilities, and temporary consultancies that do not establish long enough in Oman to pay the annual corporate tax are subject to 10% withholding on royalties and other management or research fees.

Advantages of investing in Oman

Oman offers following advantages to the foreign investors to invest in Oman.

Political stability.

Liberal foreign ownership in companies permitted.

Oman is rich in oil and gas.

Capital and profits of a business entity is fully repatriable.

No personal income-tax. All individuals can fully repatriate their savings.

Committed to privatization, industrialization, economic diversification and development.

Free trade and open market policy.

Low income tax rate structure for companies and double taxation relief treaties available with many countries.

Income tax holiday period of five years renewable for further period of five byears, available for business entities engaged in priority areas of economic development.

Geographically ideally located, proximity to Gulf, Asian and African markets.

Well regulated stock exchange.

Industries fulfilling certain conditions can get interest free/ soft loans, exemption from custom duty on import of plant, equipment and raw materials and export credit insurance.

Government leased land available at a concessional rate with good utilities.

Modern infrastructure with good roads, airports, sea ports, and state of the art telecommunications and other services.

English is used widely in day to day business commerce

Education in Oman

Before 1970, only three formal schools existed in the whole country, with less than 1, 000 students receiving education in them. Since Sultan Qaboos came to power in 1970, the government has given high priority to education to develop a domestic work force, which the government considers a vital factor in the country’s economic and social progress.

Today there are 1, 052 state schools and about 563, 236 students. In 1986, Oman’s first university, Sultan Qaboos University, opened. Other post secondary institutions include a law school, technical college, banking institute, teacher training college, and health sciences institute. Some 200 scholarships are awarded each year for study abroad.

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## Pre-university education

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Pre-university education in Oman has three stages: primary, preparatory, and secondary. Six years of primary schooling are followed by three years of preparatory school. Academic results of the preparatory exams determine the three years of secondary education the student will receive.

## Higher education reform

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Nine private colleges exist, providing 2-year post secondary diplomas. Since 1999, the government has embarked on reforms in higher education designed to meet the needs of a growing population, only a small percentage of which are currently admitted to higher education institutions. Under the private university applied colleges reformed system, five public regional universities are created, and incentives are provided by the government to promote the upgrading of the existing nine private colleges and the creation of other degree-granting private colleges.

## Education statistics

Adult literacy rate (% ages 15 and above) 2006 (83. 7).

As of 2005, 76% of primary-school-age children were enrolled in school, while 75% of those eligible attended secondary school

In 2001, there were 346 literacy centers and 214 adult education centres.

Six teacher training college are functioning at the moment with 9000 students.

The Institute of Agriculture at Nazwa became a full college by 1985.

Sultan Qaboos University opened in 1986 there are currently some 12. 000 students at the University.

What are the Opportunities for Us?

As we know that the adult literacy rate in Oman is 83. 7% and people also ready for spending on the higher Education so, we have a chance or we can say the opportunities to open our own higher educational institutions in Oman.

We can provide them Under graduation and Post graduation Education.

The per capital income in Oman is very high so, they can affored the education to their child and also they are ready to spend on the education.

Government is also helping the new comers in education

From Gujarat we can get the professional people at cheaper cost for establishing the education institutes at Oman.

Health Care

The standard of healthcare in Oman is high thanks to the efforts of the government to ensure investment in a national health service over the past few decades. Both public and private medical facilities provide a good standard of care, and there are now over 180 local, district and regional health facilities in Oman, with the largest and best facilities located in Muscat.

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The majority of Oman’s medical doctors and staff are expatriates. However, with the government’s policy of Omanization, this is slowly changing, and the government is trying to encourage Omani nationals to go into the medical field.

Medical treatment in Oman can be expensive and facilities may expect payment upfront. Expats should ensure that they full medical insurance.

## 2001

## 2000

## 1995

## 1990

## 1985

## 1980

## 1975

## 1970

Number

of hospitals

56

55

53

52

44

30

24

2

Hospital beds

/10, 000 people

21. 0

21. 6

21. 8

24. 3

22. 0

18. 6

12. 6

0. 2

Govt health centres,

clinics, dispensaries

166

161

163

136

130

80

51

22

Doctors

/10, 000 people

13. 7

13. 6

11. 8

9. 0

6. 9

5. 1

1. 8

0. 2

Nurses/10, 000 people

32. 3

32. 6

28. 9

26. 0

16. 6

10. 8

5. 6

NA

## Hospitals in Oman

There are 58 hospitals in Oman and 897 medical centers, dispensaries and clinics. Only 9 hospitals are private and the rest are Government hospitals.

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## Opportunities For Gujarat Enterprenures:

From the above information we can say that there are very less private hospitals and medical facilities provider there in Oman. Even they are very costly because of the less number of hospitals in these country.

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As we know that India is the only country whose Doctors and Chartered Accountants are very famous for their excellent services.

The Indian doctors are very experts in their field or we can say that they are having very good knowledge regarding their work because of regular Practices and experience.

Yearly hospital per capita expenditure in Oman is 294. 6$ which is high as compared to India.

The average age or the life Expentacy of Omani people is 74. 76 year which is high as compared to India 63. 5 year.

So these people are living more years as compared to Indian so, they are having more old life as compared to India and the the research says that the Hospital expenses are more in old age as compared to the young age.

So, the chances for Indian doctors or we can say the enterprenures are more in Oman.

We can open our own Hospital and Medical in Oman for providing the health care services to the Omani citizens.

Here we may face a competition with the doctors of U. S., Pakistan, Europe, Egypt, etc., but we are able to face this competition because we can provide better Quality (Experts) services at reasonable price.

These is because of we are having good professional at cheaper cost.

We can open our own private hospital and medical facilities in Oman through which we can enter the Omani market and can earn by serving the Omani people.

They are ready for spending on the good medical and hospital facilities.

The Omani people are having good trust on the Indian doctors as compared to the rest of the country because these people (Indian Doctors ) are having good practical knowledge as compared to the others because in India we are having very large population and the rate of illness is very high in India.

These doctors are having regular practice and also passing from different-different types of illness.

## Agriculture in Oman

Prior to the discovery of oil in the 1960s, the agricultural sector was central in the Omani economy. However, in 1999 the sector contributed only 3 percent to GDP and was heavily subsidized by the government. Oman is not self-sufficient in food and in 1995 the country spent US$572 million on food and live animals. This figure rose to US$650 million in 1999.

There are efforts underway to develop self-sufficiency in staple foods. The main crops grown in Oman are tomatoes, eggplant, dates, bananas, limes, and carrots.

The principal agricultural area is found along the Batinah coast, in the northeast between Muscat and Diba al-Hisn, which accounts for about half the total crop area of approximately 101, 000 acres. In the south, agriculture is centered on a small coastal plain that is fed by monsoon rain coming from the Indian Ocean. In spite of its small contribution to GDP, the agricultural sector is still a major employer. In 1994, the World Bank estimated that over half the Omani labor force was working in the agricultural sector. The Omani government reports that a total of 140, 000 people are employed permanently in this sector and that 47, 000 of these people are unpaid family workers. Agricultural employees are primarily of Oman descent.

Oman is famed for producing very high quality agricultural goods and the highest quality products are usually exported to the neighboring Gulf Cooperation Council (GCC) countries. (On 26 May 1981 an agreement was sign between the six conservative monarchies of the Gulf; Saudi Arabia, Bahrain, United Arab Emirates, Kuwait, Oman, and Qatar to co-ordinate their economic, political, cultural, and security policy.) However, the agricultural farm is threatened by many problems, including outdated technology and an increase in the salinity of the water. The government has responded to these issues by investing more into the sector. Its goal is to obtain self-sufficiency in food production by improving agricultural conditions. In working to make the agricultural sector internationally competitive, the government has introduced incentives for foreign investors. These exemptions include tax reductions, utilities discounts, loans, and tariff protection. The government has also helped Omani firms in exporting their products.

Agriculture in Oman has been important for centuries. The government’s economic development policy emphasizes the expansion of such non-oil sectors as agriculture, fishing, industry, and mining in its bid to diversify the economy and diminish its dependence on oil exports. The goal is to establish a sustainable economic base in preparation for the time when hydrocarbon reserves are depleted. The government launched several economic campaigns, naming 1988 and 1989 as Years of Agriculture and 1991 and 1992 as Years of Industry. Through these campaigns, the government has encouraged private-sector investment by allocating generous amounts of cash support for private industry to be disbursed mainly through official development banks. For example, the Oman Bank for Agriculture and Fisheries, created in 1981, extends loans at concessionary rates to individuals for whom farming or fishing is the principal activity. The bank acts as a distributive institution, receiving an interest subsidy from the government. In 1990 there were 1, 308 loans, totaling RO4. 7 million. Development programs also incorporate the government’s policy of indigenization, with a large component of funds.

Oman has five distinct agricultural regions. Going roughly from north to south, they include the Musandam Peninsula the al Batinah coast the valleys and the high platform of the east region, the interior oases, and dhofar region, along the narrow coastal strip from the border with Yemen to Ras Naws and the mountains to the north.

In the early 1990s, interior farming areas accounted for more than one-half of the country’s cultivated land. Rainfall, although greater in the interior than along the coast, is insufficient for growing crops. Most of the water for irrigation is obtained through the falaj system, in which a vertical shaft is dug from the surface to reach water in porous rock. From the bottom of this shaft, a gently sloping tunnel is dug to tap the water and allow it to flow to a point on the surface at a lower level or into a cistern or underground pool from which it can be lifted by bucket or pump.

A falaj may be many kilometers in length and require numerous additional vertical shafts to provide fresh air to the workers digging the tunnels and to permit the removal of the excavated rock and soil. A falaj requires tremendous expenditure of labor for maintenance as well as for construction. Because private maintenance efforts during the 1970s and early 1980s proved inadequate, the government initiated repair and maintenance of the falaj system to increase the quantity of water available to cultivated areas.

The cooler climate on the high plateau of the Al jabal al Akhdar enables the growing of apricots, grapes, peaches, and walnuts. The Al Batinah coastal plain accounts for about two fifths of the land area under cultivation and is the most concentrated farming area of the country. Annual rainfall along the coast is minimal, but moisture falling on the mountains percolates through permeable strata to the coastal strip, providing a source of underground water only about two meters below the surface. Diesel motors are used to pump water for irrigation from these shallow wells.

By the mid-1980s, the water table along the Al Batinah coast had dropped to a low level, and salinity of the wells had increased, significantly reducing the water quality. This was caused by the combined effect of cultivating land too close to the sea and pumping more well water than was being recharged by nature, thereby permitting seawater to encroach.

Over farming and attendant water problems caused the government to establish the Ministry of Water Resources in 1990 with the mandate of limiting water consumption and improving irrigation. A freeze on new wells was imposed in addition to delimiting several “ no drill zones” in areas where groundwater supplies are low. The ministry is also considering the installation of water meters.

Recharge dam are designed to hold rainwater in the wadi for a period of time to facilitate the trickling of water down into the ground; replenishing aquifers have been built mainly in the northeastern Al Batinah region, where the groundwater levels are up to five meters below sea level.

Apart from water problems, the agricultural sector has been affected by rural-urban migration in which the labor force has been attracted to the higher wages of industry and the government service sector, and by competition from highly subsidized producers. As a result, agriculture and fishing have declined in relative sectoral importance. In 1967 the two sectors together contributed about 34 percent of GDP; by 1991 they accounted for 3. 8 percent of GDP. The government encourages farming by distributing land, offering subsidized loans to purchase machinery, offering free feedstock, and giving advice on modern irrigation methods. As a result, the area under cultivation has increased, with an accompanying rise in production. But extensive agricultural activity has also depleted freshwater reserves and underground aquifers and has increased salinity.

The area under cultivation increased by almost 18 percent to 57, 814 hectares over the period from 1985 to 1990. Fruits were grown on 64 percent, or 36, 990 hectares, of the area under cultivation in crop year 1989-90. Dates accounted for 45 percent of the total area, or 70 percent of the area under fruit cultivation. Grains such as barley, wheat, and corn accounted for 19. 2 percent, or 11, 092 hectares and vegetables accounted for 16. 8 percent, or 9, 732 hectares, of the total area under cultivation.

In the same five-year period, overall agricultural production increased by 3 percent to 699, 000 tons. Field crops, largely alfalfa, accounted for more than one-half of total production, or 354, 300 tons, a 40 percent increase in the five-year period. Fruit production (including dates and limes) was 182, 400 tons, up from 154, 500 tons. Vegetable production totaled 162, 300 tons, an increase of almost 50 percent.

## What are the opportunities for Gujarat Entrepreneur?

From the above information we can say that there are salinity of water and outdated technology in Oman. So, Oman is very less resources for the agriculture.

As we know that the Water is inevitable natural resource for mankind. It is necessary at every step that the human being take to live. So it is also important for Agriculture activity.

In Oman there is a lack of the kind of water that can be use for Agriculture purpose. And at a same time there is also a lack of updated Technology that can be used for increasing the effectiveness of the agriculture activity that the farmers are doing.

So it is the opportunity to provide above mentioned facilities to grab the opportunity by establishing the business there.

Agricultural development in the state is to a large extent dependent on availability of water. A large percentage of the water in Gujarat State (both surface and groundwater) is consumed by the agricultural sector.

Ground water and surface water are the two different sources from which water is utilized for irrigation purposes. These two sources are mainly replenished by rainfall and stream flows.

As mentioned above we can say that water source is easy available in Gujarat. In Gujarat farmers are very experts in farming activities. So, farmers of Gujarat are working huge amount of farming in Oman.