

Examining the potential business opportunities in oman



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The purpose of this research is to examine the potential business opportunities in Oman, especially in exporting telecommunication equipment into this country. Therefore, Oman's macro-environmental factors such as Cultural Environment, Political and Legal Environment and Economic Environment will be discussed in term of international trade. Moreover, the research will summary the country's current international trade 2009 in comparison to that of after 1970 when the nation's name was changed to the sultanate of Oman. On the other hand, theories and concepts of International Trade will be used to determine attitude of the government to international trade strategy. Then, some recommendation will be given in conclusion part to improve the current position international trade of Oman.

1. Business Environment in Oman

1. 1 Cultural Environment in Oman

Language: Arabic is the official language of Oman, and English and Asian languages such as Hindi, Urdu, and Baluchi are also widely spoken. Swahili is spoken by some, a legacy of Oman's former East African presence. English is widely used in business.

Ethnic groups: Arab, Baluchi, South Asian (Indian, Pakistani, Sri Lankan, Bangladeshi), African

Religions: Ibadhi Muslim 75%, other (includes Sunni Muslim, Shi'a Muslim, Hindu) 25%

Omani Culture - Key Concepts and Values

Investing or doing business in Oman successfully requires an in-depth understanding of Oman's unique business culture and etiquette.

Omani attitudes to time are much more relaxed than in many Western cultures. People and relationships are more important than schedules and punctuality.

Status is an important part of Omani society and is determined by factors such as age, wealth and family or tribal relations. Those with status have a high level of authority and should be shown deference.

The hierarchy present in Omani society is often seen in the use of titles and formal greetings. When first entering a room or greeting your Omani counterparts for the first time, for example, you should shake hands with the most senior person first using their appropriate titles.

Relationships and mutual trust are paramount for any successful business interaction and can only be developed through face-to-face meetings. It is important to therefore spend time with your Omani business counterparts and have frequent meetings to ensure that the relationship continues to develop.

As part of the relationship building process, guests are often invited to partake in festive occasions or simply share a meal together. Accepting these invitations will help strengthen your relationship with your Omani counterparts. If you are a businesswoman or have a female partner, however, be prepared to be separated from the group since men and women do not eat together during traditional meals or religious festivals.

1. 2 Political Environment in Oman

Political power in Oman is dominated by Sultan Qaboos ibn Said Al Said who is responsible for all major decision-making and government appointments. Since coming to power in 1970 in a coup d'état, Sultan Qaboos has committed himself to promoting the country's modernization, economic diversification as well as continued political stability (EDC Economics).

Oman ranked 31st out of 180 countries in Transparency International's 2009 Corruption Perception Index, receiving a score of 5.5/10, with higher scores indicating less corruption.

1. 3 Economic Structure and Growth in Oman

Oman is a rural, agricultural country, and fishing and 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.

2. International Trade in Oman

2. 1 The Nature of Oman's International Trade

Overseas trading is important to Oman. The discovery of oil drastically improved Oman's economy. Sustained high oil prices in recent years have helped build Oman's budget, trade surpluses and foreign reserves. Crude oil, refined petroleum, and natural gas account for most exports while imports consist mainly of machinery and transport equipment, basic manufactured goods, and foodstuffs. Some manufactured products are also exported. In spite of the fact that over the past 30 years, Oman has come to rely more

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and more on imports, Oman has enjoyed trade surplus through advantage of exporting the production of crude oil.

Among the country's major trading partners are China, Japan, South Korea, and the United Arab Emirates. (See Appendix 1)

2. 2 Attitude to International Trade of Oman

Oman has diplomatic relations with over 140 countries and is a member of over 105 regional and international organizations.

On 7th October 1971, Oman gained membership in the UN and its specialized organs (IMF, World Bank); the nation belongs to ESCWA and all the non-regional specialized agencies except IAEA. Oman also participates in G-77, GCC, and the Arab League, as well as the Islamic Conference. Oman accessed to the World Trade Organization (WTO) on November 9, 2000, which facilitated Oman's integration into the global marketplace. In addition, Oman has sign several co-operation agreements with 20 countries. It concluded a free-trade agreement (FTA) with the United States, signed on 19 January 2006, covering trade in goods, IPRs, and services (WTO nd). Through these formal economic co-operations with other nations, Oman has become more dependable trading partner and more attractive destination for majority foreign-owned investment. Thus, the potential for exporting telecommunication equipment into Oman is closer.

The government's trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), has been relatively constant in the recent years and in 2008 it was 8. 3 percent for Oman. Oman has a very

liberal services trade regime, and as such is ranked 13th out of 148 countries according to the GATS Commitment Index.

Moreover, the Oman's government is engaged in an aggressive effort to woo foreign investors and enhance international trade links as part of the ambitious Vision 2020 program of economic diversification aimed at reducing the country's dependence on shrinking reserves of oil.

3. Viewing Oman's International Trade Through Theories Related

3. 1 The nature of Advantage

Daniels and Radebaugh (1998) have summarised advantage in the context of International Trade Theory into five categories as below:

Natural advantage refers to climate, soil and nature resources;

Acquired advantage refers to technology and skill development;

Comparative advantage against another nation's endowment of assets;

Country size as a proxy for the range of natural factors such as climate, soil, minerals and etc, size of population that provides opportunities to process materials and create markets;

Factor proportions that suggest their optimum utilisation in production.

Daniels, Radebaugh and Sullivan (2004) Framework, the evolution of International Trade Theory is depicted as below:

Besides Porter's Competitive Advantage of Nations theory, this research will use Product Life Cycle theory and Absolute Advantage theory to explore the status of international trade in Oman.

Adam Smith's Absolute Advantage Theory

According to Adam Smith (1776), a country's would be either natural or acquired. Relating to Oman, this country's economy is heavily reliant on oil exports for revenue, though diversification into natural gas production has mitigated this to a degree. About two-thirds of Oman's total energy consumption comes from natural gas and the remainder comes from oil, reflecting the country's relative abundance of oil and natural gas reserves.

3. 2 Justification of Telecommunication Equipment Industry Potential in Oman

The Oman's government has embarked on an ambitious campaign to develop the information technology (IT) sector. Agreements between Oman Telecommunications Company (Omantel) and foreign firms hold the potential to significantly expand telecommunications services and lay the ground for the establishment of a state-of-the-art IT infrastructure. In May 2006, Telecommunication Minister Mohammed bin Abdullah bin Isa Al-Harhi announced that the government is preparing to "fully liberalize" the telecommunications sector, with private companies permitted to offer fixed-line and Internet services (U. S Commercial Service 2009).

In July 2005, the government, which was required per WTO commitments to liberalize its telecom sector, floated 30 percent of its shares in state

telecoms giant Omantel (formerly known as the General Telecommunications Organization, or GTO).

3. 3 Summary of Oman current trade position using the extended form of Porter’s Diamond of National Competitiveness

According to Porter (1994), there are four principal attributes of a nation’s international success in a particular industry such as: Factor conditions; Demand conditions; Related and supporting industries and; Company strategy, structure and rivalry. In addition, Porter defines the role of chance as well as the role of government as the secondary determinants. However, a further research by Dunning (1993) proposed that multi-national business activities bring additional factors that may encourage advances in support industries, etc.

In term of exporting telecommunication equipment into Oman, the four board attributes of the nation are:

Factor conditions would be capital, quality of infrastructure.

Demand conditions would be determined that “ Overall telecommunications infrastructure and service in Oman remains less developed than in its Gulf neighbors. Fixed line and Internet penetration rates are low, yet the young and growing population is generating increased demand for modern telecommunications and broadcasting systems” (U. S. Commercial Service 2008) .

Related and supporting industries would be the profitable oil and gas industries. Oil and Gas is the leading economic sector (U. S. Department of State 2007). Revenue generated can help the Kazakhstan's government fund the healthcare industry. Firm strategy, structure, rivalry would be depicted as below:

“ In 2008, imports of U. S. equipment reached an estimated \$31 million, while market share declined to 3. 8%. America's closest competitors are Russia, Germany, and Japan. Local production of medical equipment in 2008 accounted for only 1. 7% of the total market” (U. S. Commercial Service 2001-2009).

Relating to exporting medical equipment into Oman, the three secondary determinants are:

Chance for Oman is observed that in term of oil and gas reserves this country is ranked the 24 and 29 respectively in the world (CIA nd). Besides that, Oman has a strategic geographic location for marine trade.

The role of government would relate to: “ In July 2005, the government, which was required per WTO commitments to liberalize its telecom sector, floated 30 percent of its shares in state telecoms giant Omantel. The company is now looking for a strategic investor in advance of government efforts to open the fixed-line communications sector through the issuance of additional licenses. All telecommunications companies are governed by the Telecommunications Regulatory Authority, which was established by the government in 2003 to oversee all aspects of privatization and regulation.” (U. S. Commercial Service 2008).

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Multi-national Business Activities in telecommunication industry in Oman have played important role in supplying technology and equipments or software solutions for development of Oman's telecommunication market. Omantel has contracted with Ericsson, Siemens and Motorola to expand GSM service in some areas of Oman (U. S. Commercial Service)