U.S.-Oman Free Trade Agreement Signed

“With our signatures today, we cement our long-standing friendship and growing commercial ties, and we create new economic opportunities for both of our countries.”

– Ambassador Rob Portman, U.S. Trade Representative

On January 19, 2006, the United States and the Sultanate of Oman signed a Free Trade Agreement (FTA) that promises to eliminate barriers to trade and enhance the already close commercial relations between the two nations.

“This is a good day for the people of Oman and the United States,” noted Ambassador Rob Portman, U.S. Trade Representative. “With our signatures today, we cement our long-standing friendship and growing commercial ties, and we create new economic opportunities for both of our countries.”

Portman’s counterpart at the signing, Oman’s Minister of Commerce and Industry, H.E. Maqbool bin Ali Sultan, described the FTA signing as a “turning point for us — the closing of one chapter in our relationship and the opening of another.” He said that the FTA will “bring an increase in trade between our two great nations . . . and U.S. foreign direct investment will grow in Oman. The FTA Agreement will lead to job creation and income growth in Oman . . . and will promote the establishment of knowledge-based industries in Oman and the growth of our services sectors.”

Concluded Portman, “We began talks only last spring and concluded them by October of last year. This is a sign of Oman’s enthusiasm for open trade and free markets. We welcome that spirit and we are pleased to have Oman as a partner in our efforts to raise living standards and promote

U.S.-Oman Trade and Investment: Ready for Takeoff?

Abdul Rahman Al Busaidy, Oman Air’s Chief Executive Officer, told Gulf News last year that his airline is turning to Boeing to maintain Oman Air’s aggressive new route expansion. “We are looking at ordering Boeing 787s as part of our future expansion, starting with at least three.”

Like the Boeing Dreamliner, U.S.-Oman trade and investment appears poised for takeoff.

Oman signed a Free Trade Agreement (FTA) with the United States on January 19, 2006. (See related story, above.) The FTA is expected to open a new chapter for U.S. exporters, particularly service providers, who have traditionally been regarded as “latecomers” to the region. The commercial relationship between Oman and the United Kingdom, for example, extends back to at least 1616, when the British East India Company began to develop a substantial trade presence in the area.

The United States supplied 5.2 percent of Oman’s total demand for merchandise imports in 2004. The U.S. faces intense competition from Oman’s other major import partners – the UAE (21.6 percent of imports), Japan (17.1 percent), the UK (5.7 percent), Germany (4.4 percent) and India (4.4 percent) – but there is a growing perception that Oman wants to expand its commercial relationship with the United States.

One area in which U.S. companies are well positioned revolves around oilfield services and equip-
The Sultanate of Oman: Integrating Past, Present, and Future

“...Yesterday it was complete darkness and, with the help of God, tomorrow will be a new dawn on Muscat, Oman, and its people.”

- H.M. Sultan Qaboos, July 1970

Oman, perhaps more than any other country in the Arab world, has successfully melded the past and present. It boasts some of the most progressive policies in the Middle East, yet at the same time retains much of the character and charm of traditional Arabia.

This ability to draw upon the best of both worlds can be directly attributed to H.M. Sultan Qaboos bin Said Al-Said – Oman’s visionary leader for nearly 35 years. He has been a consistent advocate of “gradual and deliberate social and political change,” and his success in moving Oman from, in his words, the “dark ages” to the thriving nation it is today is nothing short of extraordinary.

When Sultan Qaboos took over the helm from his father in 1970, Oman had not yet modernized. The country had only six miles of paved roads and three schools with a total of 909 students. Today, Oman has some 5,000 miles of paved roads, more than 1,000 schools, and one of the most respectable literacy rates in the Arab world.

His Majesty has encouraged women to play a leading role in the development of Oman on the grounds that to “exclude women is to exclude 50 percent of the country’s potential.” In large part as a result of the Sultan’s encouragement, there are more female graduates these days than male graduates.

Oman in 1970 was in a state of quiescence, but this was not always the case. For centuries, Oman was a thriving trade center straddling East and West, and the city of Sohar was widely regarded as one of the greatest seaports in the Islamic world. Oman’s strategic position allowed it to control commerce into and out of the Gulf, including the sea route that rounded Africa to India.

The United States saw great value in establishing commercial relations with this “regional superpower.” In September 1790, the first ship from the New World to visit Oman, the Rambler, dropped anchor in Muscat. It was not long before the U.S. and Oman signed a Treaty of Commerce and Amity – the first bilateral accord between America and an Arab Gulf nation. And in April 1840, the Omani trading ship “Sultana” was the first Arab vessel to sail into a U.S. port (New York).

It was this proud past that Sultan Qaboos sought to revive when he ascended to power in 1970. Pledging that there is “no evolution without roots,” His Majesty has skillfully guided Oman into the 21st century.

The Omani leader once told his people that “our ancestors who lived in the desert valued and lived the principles of our culture...[They] put up with the hardship of their surroundings more than anything else, but today, with the changing times, our descendants must still adhere to the basic values and principles – now and in the future.”

This adherence to the traditions of honor, hospitality, and unity has helped the Omani people to maintain an “even keel” and “stay the course” – particularly during those times when the Sultanate’s neighbors found themselves in very choppy waters. Under the wise leadership of Sultan Qaboos, who believes that “peace has one face and no nationalities,” Oman has developed a reputation in the region for wielding common sense to resolve seemingly intractable disputes.

The breadth and depth of the U.S.-Oman relationship is remarkable in many ways, and a new chapter will soon be opened with the recent signing of the U.S.-Oman Free Trade Agreement. In the words of the U.S. Embassy in Muscat, “From the first recorded contact in September 1790...until the present day, the bonds between Oman and the United States have been warm and enduring. Both nations share a seafaring heritage, mutual commercial interests, a tradition of tolerance, and a desire for contact with other cultures.”

As the U.S.-Oman commercial relationship sails into its third century, it is safe to assume that the best is yet to come.

David Hamod
President & CEO
Q&A with H.E. Maqbool Ali Sultan, Oman’s Minister of Commerce & Industry

Tradeline recently interviewed the Sultanate of Oman’s Minister of Commerce & Industry, H.E. Maqbool Ali Sultan. His responses to questions about Oman’s commitment to a Free Trade Agreement and WTO requirements provide insights into the increasingly close commercial ties between the U.S. and Oman.

Tradeline: What is the state of U.S.-Omani relations?

Minister Maqbool Ali Sultan: Oman and the United States have had a cordial and productive relationship since 1833, when Oman became one of the first Arab states to sign a treaty of Amity and Commerce with the United States. We have had formal diplomatic relations since that time, with the U.S. Embassy opening in Muscat in 1972.

Tradeline: Why is the FTA good for Oman?

Minister Maqbool Ali Sultan: Oman’s economy has been transformed from a modest economic base that depended on exports of raw materials such as dates, dried limes, fish, and leather into a modern and integrated structure, which has enabled it to achieve one of the world’s highest growth rates. A key to this success has been carefree use of oil revenues for infrastructure projects, together with development of our non-oil sector. Manufacturing is concentrated at six industrial zones with over 120 factories (in a country with only 3 million people).

To achieve the long-range goal of establishing a viable non-oil sector, Oman realizes that we need a larger, global market that goes beyond the opportunities offered by trade among the six countries of the Gulf Cooperation Council. Hence, Oman’s aggressive and high-quality accession to the WTO in 2000 and this FTA with the United States.

Tradeline: Why is the FTA good for the United States?

Minister Maqbool Ali Sultan: Oman’s high quality accession to the WTO in 2000 and its recent willingness to use objective, transparent standards in the insurance and banking sectors demonstrates the country’s commitment to trade liberalization that is considered critical to U.S. goals to expand global markets. Oman’s imports from the United States from January-October 2005 were $432.1 million, a 23.6% increase from the previous year. Oman’s yearly imports from the United States increased from $322.4 million in 2003 to $330.1 million in 2004. This is evidence of a general trend of increasing U.S. imports during and after free trade negotiations.

Beyond trade and investment, Oman is a critical strategic partner in the global war on terrorism and has been a consistent ally of the United States over the last three decades, which has enabled the U.S. to maintain a military presence in the volatile Gulf region.

Tradeline: Does Oman respect worker rights and, if so, do they meet common, objective, and internationally recognized standards, such as the International Labor Organization’s core standards?

Minister Maqbool Ali Sultan: In 1994, Oman became a member of the International Labor Organization (ILO) and has satisfied various labor-related accession requirements for membership in the WTO. Oman is committed to building on progress made in enacting its comprehensive labor code in 2003. Oman has agreed to make changes in its labor code to comply with ILO standards. The 2003 law recognizes the right to collective bargaining and legalized trade unions. There are no issues of child labor or forced labor in Oman.

Unfortunately, the AFL-CIO has basel its comments on the 1970s labor protections in Oman and ignored the huge changes Oman made when it adopted its new Labor Law in 2003. The Government created a Ministry of Social Development and a Ministry of Manpower to specifically oversee labor-management relations in 2002. Then, in 2003, Oman adopted its first comprehensive labor law that grants workers the right of association and allows them to pursue labor disputes in court. The 2003 Labor Law eliminated any prohibitions on the right to strike. Strikes are now taking place freely in Oman.

Tradeline: What is Oman’s position regarding protection of the environment?

Minister Maqbool Ali Sultan: Oman has long been sensitive to the environment. It is a signatory to a range of international and regional accords for the protection of the atmosphere (including the Kyoto Protocol), hazardous substances, the marine environment, and nuclear safety.

Tradeline: Will Oman accept the environmental consultation mechanism of the FTA?

Minister Maqbool Ali Sultan: Yes.

Tradeline: What is Oman’s record for enforcing intellectual property rights under the TRIPS Agreement of the WTO?

Minister Maqbool Ali Sultan: As part of its WTO accession, Oman adopted derogations to the GCC patent law to comply with obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Oman has joined the World Intellectual Property Organization (WIPO) and has asked WIPO to register Oman as a signatory to the Paris and Berne Conventions on intellectual property protection. Oman has also joined the Patent Cooperation Treaty to avoid delays in granting patents. The Pharmaceutical Researchers and Manufacturers of America (PhRMA) testified before the U.S. Government’s inter-agency Trade Policy Staff Committee in support of the U.S.-Oman FTA.

Tradeline: What is the extent of U.S. business interest in Oman?

Minister Maqbool Ali Sultan: Oman offers an excellent investment opportunity for United States companies. Oman’s political stability, modern infrastructure, large middle class, and stable securities market make it conducive to foreign investment opportunities. Currently, there are over 90 United States companies doing business in Oman. Major investments by Dow Chemical, Alcan, AIG, and Occidental Petroleum, as well as a construction project awarded to Bechtel, are good evidence of a positive business environment.

Tradeline: Is Oman adequately addressing U.S. concerns about mandatory shelf-life and the ban on U.S. beef imports?

Minister Maqbool Ali Sultan: In joining the WTO, Oman committed itself to eliminating mandatory shelf-life standards for shelf-stable foods, establishing regulations and procedures in line with international norms for highly perishable refrigerated food products, and

continued on page 10
Tourism in Oman – Ancient Attractions and Modern Infrastructure

For years, Oman’s diverse ecosystems and rich history have made it a niche destination for European tourists. But it is only recently that U.S. tour operators have begun to sit up and take notice of the Sultanate. This is good news for Oman, which is making tourism one of its highest priorities for economic development.

In the aftermath of the 9/11 debacle, Arab visitors who traditionally traveled to the United States are instead going to Arab world destinations in record numbers. One of the biggest beneficiaries of this trend is Oman, which saw visitor increases of 16 percent in 2003 and 9.3 percent in 2004. Oman Air launched a “Magic of Muscat” campaign and other packages that generated thousands of room nights for tourists traveling from Dubai, Abu Dhabi, Kuwait, Doha and Bahrain.

There is no other country in the Middle East like Oman, and recent investments in tourism projects suggest that the Sultanate has clearly been “discovered” as an increasingly important tourist destination. Oman offers a stunning contrast in ecosystems, from mountain peaks and desert oases to long stretches of pristine beaches. It is preserving its many traditions while, at the same time, carefully managing an economic boom.

Oman has thoughtfully melded the ancient with the modern. Touring the capital, Muscat, offers history buffs access to the Jalali, Marani, and Mutrah forts, dating from the Portuguese occupation in 1580. The Oman Museum displays exhibits covering geography, geology, Islam, and arts & crafts, as well as architecture found in the Sultanate. The Mutrah Souk (marketplace) is regarded by many as one of the best in the region for cloth, silver and antique jewelry.

Sohar, in the north, used to be the largest population center and offers an important glimpse of Oman’s history. Salalah is the capital of the Southern Region and geographically situated to benefit from the summer monsoon by staying cool and green throughout mid-June to mid-September, when many Gulf residents seek refuge from searing summer temperatures.

While historic sites and museums and ecological destinations abound, Oman has embarked on a modern tourism infrastructure build out on par with any in the region. The Omani government increased its tourism marketing budget to $30 million for 2005, up from $10 million in 2004.

The government is also working closely with private developers to achieve a broad and rapid facilities build out. In the past, major hotel developments, because of their cost, were the exclusive domain of the Government of Oman. Today, the private sector is playing an increasingly active role in helping to fund and manage such developments.

The most recent announcement of a mega-project came last year, when the Government of Oman and private developers announced “The Blue City” at Barka, located 60 miles north of Muscat. Construction of the tourism complex is expected to take 15 years. Located on a 75-year land concession designated a “strategic tourist zone,” the complex will cover 14 square miles. Guests will be able to take advantage of a range of specialized services, such as a high capacity marina, health clubs and sports facilities.

Al Suwaidi Investment and Tourism Company (ASIT), a corporation established to manage the Blue City project, is comprised of Cyclone LLC (Oman), Ahmad Abubaker

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<td>(Source: Various developers, advertising firms and contractors)</td>
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<td><strong>Project</strong></td>
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<td>Beach to Mountain Resort</td>
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<td>The Wave</td>
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<td>Barr Al Jissah (Shangri-La)</td>
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Janahi Holdings (Bahrain), and Oasis Middle East Holding. The project’s partners have committed to $15 billion in financing and have retained Bear Stearns as placement agents. Phase 1 building, started in 2005 and ending in 2009, will cost $1.8 billion. Oppenheimer of North America is a lead investor, but ASIT is looking for additional institutional investors and is considering listing shares on the Oman stock exchange.

The most recent mega-project to be inaugurated was the Barr Al Jissah Resort & Spa (Shangri-La), which opened in February, 2006. According to Shangri-La, which manages the facility, the resort “nestles against the dramatic backdrop of the rugged interior mountains and the spectacular waters of the Gulf of Oman – offering both the leisure and business traveler a fully integrated destination resort and providing the perfect gateway to discover this historic land of contrasts and culture.”

Located on the bay just 15 minutes from the historic city of Mutrah, this development offers 680 rooms and suites, all with sea views, in three hotels aimed at different luxury markets. Set amidst 124 acres of landscaped gardens, this property offers more than a half mile of beachfront, three swimming pools, an outdoor amphitheater, a conference center, and an exclusive spa.

New York-based Turner Construction managed construction of the Barr Al Jissah Resort, as well as “The Wave” – an $805 million resort project in Seeb that broke ground last year. When completed, the resort will offer an 18-hole Oceanfront PGA Golf Course, a 500 berth marina, a variety of residential properties, world class hotels and commercial space.

The Wave is a joint venture consisting of Oman’s Waterfront Investments (representing the Government of Oman), the National Investment Funds Company (representing the Omani Pension Funds and State General Reserve Funds), and Majid Al Futtaim Investments (UAE).

The United Arab Emirates is getting into the development boom in a big way with the $822 million “Beach to Mountain Resort” project at Yetti, near Muscat. In March 2005, then UAE Defense Minister Sheikh Mohammed bin Rashid al-Maktoum, visited Oman to look at prospective properties.

By ministerial decree, non-GCC nationals can now own property in Oman in designated tourism developments, and this is helping to fuel real estate growth in the Sultanate. The Muscat Golf and Country Club, for example, began promoting properties to Omani nationals and GCC residents in October 2003. According to the developer, buyers have already snatched up 40 percent of the villas and 60 percent of the apartments. The entire second phase of the development, including retail stores, is on track for completion by September 2006.

The surge in visitors, foreign ownership rights, and top-notch tourist infrastructure in Oman may vastly increase visitor duration in the Sultanate and alter regional tourism flows. According to Kevin Skillin, who served as the top commercial officer at the U.S. Embassy in Muscat, visitors coming through the region invariably wish they had allocated more time to Oman. He says, “All who came to visit Oman primarily for business invariably wanted to go back for tourism. Visitors coming through the region spend a week shopping in Dubai, and then three days in Oman. Many say they should have reversed the time allocated to each country.”

As Oman builds out a broader array of tourism attractions, Dubai and other competitors for international travelers will face a savvy contender offering a unique mix of history and modernity.
peace through trade.”

The agreement now moves to the U.S. Congress, which must approve the FTA before it can go into force. The U.S. Senate and House of Representatives are expected to hold FTA hearings and mark-ups this Spring and, if approved by Congress in a timely fashion, the Free Trade Agreement could become operational by mid-2006. (See page 8 for Congressional testimony provided by the National U.S.-Arab Chamber of Commerce.)

Oman is the fourth Arab nation to sign an FTA with the United States, after Jordan, Morocco, and Bahrain. On the first day that this agreement goes into effect, according to the U.S. Trade Representative, 100 percent of consumer and industrial products and 87 percent of agricultural tariff lines will be duty free. The two nations will phase out tariffs on the remaining products within ten years.

Enhancing its trade position with the United States is important to Oman. The Sultanate is a petroleum exporting country, but its oil and gas reserves are limited. Under the circumstances, then, diversifying the economy and increasing foreign direct investment are very high priorities.

Oman has made significant progress over the years in integrating its economy into the global marketplace, and the FTA with the United States further reinforces Oman’s efforts to promote economic liberalization.

According to Economic Freedom of the World: 2005 Annual Report, published by The Fraser Institute (www.freetheworld.com), Oman has the seventeenth freest economy in the world. This ties Oman with Finland and places the Sultanate ahead of such nations as Germany (#19), Taiwan (#24), Spain and Japan (tied for #30), South Korea (#35), and Italy (#54).

In the same vein, Transparency International’s Corruption Perception Index 2005 ranked Oman 28th in the world – tied with Israel – with a low level of perceived corruption. (www.transparency.org) Oman ranks number one in the Arab world and placed higher than such nations as Taiwan (#32) and Italy & South Korea (tied for #40) among the 159 nations that were studied. TT’s Corruption Perceptions Index draws on 16 different polls from ten independent institutions.

The Sultanate was a relative latecomer to the WTO when it acceded in the year 2000, clearing the way for FTA discussions. The U.S. treats WTO accession as something of a baseline, or a “Good Housekeeping seal of approval,” that helps to lay the groundwork for bilateral agreements that go above and beyond the WTO framework.

Given the relatively modest level of trade between the U.S. and Oman, some wondered why the USTR devoted so much time and energy to this one nation. The answer is simple, according to Kevin D. Skillin, former head of the Commercial Service at the U.S. Embassy in Muscat: “We recognize Oman as the type of country with which we want to negotiate free trade agreements.”

The Sultanate’s ongoing efforts to liberalize and privatize the economy made it a highly attractive candidate for an FTA, says Skillin. But Oman is also representative of a larger trend toward bilateral FTAs between Gulf countries and the United States. According to Jason Buntin, who coordinates Oman FTA issues at the Office of the U.S. Trade Representative, “Even major energy producers like Kuwait, Qatar, and Saudi Arabia support free trade as a way to become less dependent on energy exports.”

In remarks to the National U.S.-Arab Chamber of Commerce, H.E. Maqbool Ali Sultan, Oman’s Minister of Commerce & Industry, stated that Oman is “committed to a policy of open market economy based on free competition in which the private sector is encouraged to play a leading role. We have liberal laws and we are constantly attempting to make our rules, regulations, and procedures as simple and client-friendly as possible.”

Minister Sultan went on to say that Oman wants to build on its relationship with the United States in order to “stimulate business-to-business discussions, partnerships and alliances with a view to refreshing, re-energizing and reorienting this relationship for our mutual benefit. We firmly believe that expanded, unrestricted trade is very effective in contributing to the process of economic development and growth,” as well as “enhancing the quality of life and welfare of our people.”

With every passing year, Oman is gaining international stature as an attractive destination for investment and tourism. As The Economist magazine opined not long ago, “The Sultanate of Oman remains a calm and tranquil environment . . . a place where business visitors can expect high standards of corporate governance and tourists can relax on superb beaches or visit its castles and breathtakingly beautiful mountains. There remains a friendly and hospitable welcome for non-Omanis whatever their race or religion. Perhaps, that is Oman’s best asset of all.”

What are the U.S. policy priorities toward Oman?

Issues of economic prosperity and security have come to the forefront of our bilateral relationship. We signed a Trade and Investment Framework Agreement (TIFA) with Oman in July 2004, and efforts to conclude a Free Trade Agreement (FTA) are advancing rapidly. We also encouraged the establishment of the Muscat American Business Council last year in an effort to increase U.S. exports to Oman.

Of course, the promotion of democracy and human rights around the world continues to be a key U.S. Government priority. We’ve been pleased by our successful cooperation with Oman on various programs aimed at the modernization of education, the rule of law, and women’s empowerment.

Through the Middle East Partnership Initiative (MEPI), we have made inroads by reaching the youth of Oman with messages of hope and optimism for the future. We provided English language micro scholarships for 120 Omani students who otherwise could not afford the training, and we are preparing to expand the program in 2006.

What advantages would a trade agreement have for U.S.-Oman trade?

As part of the President’s vision for a Middle East Free Trade Area, bilateral FTAs are critical components for opening up economies and liberalizing their trade practices. As then-U.S. Trade Representative Robert Zoellick noted in his October 2004 visit to Oman, U.S. FTAs are cutting-edge, high quality agreements that can play an important role in stimulating economic growth and development.

The U.S.-Jordan FTA, signed in 2000, is perhaps one of the best examples of this development. Between 2000 and 2003 alone, two-way trade between the U.S. and Jordan increased from roughly $300 million to over $1 billion. As a result of the FTA, nearly 40,000 jobs were added to the Jordanian economy.

With U.S.-Oman trade already hovering around $1 billion a year, and large U.S. investments in Oman’s booming industrial and tourism sectors, there will certainly be additional opportunities for both American and Omani companies and entrepreneurs under an FTA.

Doing Business in Oman: Key Points of Contact

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Excerpts: NUSACC Testimony on U.S.-Oman FTA

In March, the National U.S.-Arab Chamber of Commerce (NUSACC) is expected to testify before the Senate Finance Committee on the U.S.-Oman Free Trade Agreement. Excerpts of NUSACC’s testimony follow.

Under the thoughtful leadership of H.M. Sultan Qaboos bin Said Al-Said, Oman has been transformed from an economic backwater to one of the most progressive and attractive nations in the region. And unlike some of its neighbors in the Arabian Gulf area, Oman has achieved this status without the benefit of huge energy reserves – relying instead on the resilience, determination, and entrepreneurial spirit of its people.

"Oman has achieved success by relying on the resilience, determination, and entrepreneurial spirit of its people"

According to our Chamber’s forecast for 2006, U.S. merchandise exports to Oman are on track to reach nearly $1 billion this year – which translates into more than 15,000 direct U.S. jobs. The 2006 figures represent an increase of nearly 56 percent over 2005, when U.S. merchandise exports totaled $593.3 million.

The U.S. has become the third largest exporter to Oman, and if our two nations implement this FTA, market share for U.S. products in Oman is expected to close in on that of the United Arab Emirates and Japan, ranked first and second, respectively.

Oman as an Open Economy: Oman has made significant progress over the years in integrating its economy into the global marketplace, and an FTA with the United States would further reinforce Oman’s efforts to promote economic liberalization. Just a few years ago, some of Oman’s tariffs ranged as high as 15 percent (e.g.- food products). Today, according to the National Association of Manufacturers, Oman’s applied tariff rates range from 4.5 percent to 5.7 percent. The Government’s decision to lower tariffs is helping to make U.S. products more competitive in the Omani market.

Political Stability and Investment Appeal: In an effort to make Oman more attractive to prospective partners around the world, the Sultanate has waived requirements that foreign businesses had to enter into exclusive agency agreements. In addition, a ministerial decision was issued in 2000 waiving the requirement for foreign firms to partner with a 51 percent Omani-owned company in order to obtain an import license. Oman has also created a series of incentives in recent years that will encourage investments: tax exemptions for five years for industrial enterprises; no personal income tax and no foreign exchange controls; tax and import duty exemptions; interest-free long-term loans for industrial and tourism projects that involve foreign investment.

Adherence to International Agreements: Oman has joined the Patent Cooperation Treaty and has asked the World Intellectual Property Organization (WIPO) to register the Sultanate as a signatory to the Paris and Berne Conventions on IPR. In the past, pirated computer software, bootleg videos, and designer clothing knock-offs were widely available. Following its accession to the WTO, however, Oman began cracking down in earnest on IPR violations. Today, with support from the private sector, Omani authorities are keeping the heat on IPR offenders, routinely conducting sting operations on illicit video producers and busting rings of counterfeiters.

Strategic Support: Over the years, Oman has provided invaluable support to the U.S. forces in terms of forward deployments of U.S. servicemen and women and the pre-positioning of U.S. materiel. Oman hosts an estimated 3,000 U.S. servicemen, particularly from the U.S. Air Force. According to the U.S. Department of Defense, “Oman has been a coalition partner for over thirty years. Oman’s active participation during the Gulf crisis and their willingness to allow access to port facilities and air bases make them vital to any coalition success in the region.”

Supporting the Fight Against Terrorism: Oman has been unequivocal about its willingness to stand “side by side” with the United States in America’s fight against terrorism. H.E. Yousef Bin Alawi Bin Abdullah, the Head of Oman’s Delegation to the United Nations, stated in New York not long after 9/11, “We would like to reaffirm again our solidarity with the United States of America in fighting all forms of terror against humans wherever they are.”

Commitment to Human Development: When it comes to capacity building through collective bargaining, and take their employers to court.

Environmental Protection: Oman was the first country in the Arab world to establish a full-fledged Ministry of Environment, and Oman was one of the first nations in the region to design a strategic plan for the environment. As part of that nation’s efforts to raise public awareness, Omani Environment Day is celebrated each year on January 8.

"Omani authorities are keeping the heat on IPR offenders, routinely conducting sting operations on illicit video producers and busting rings of counterfeiters"

A wide range of business leaders and U.S. policymakers recognize Oman’s genuine commitment to reform and to enhancing free trade with the United States. With this in mind, NUSACC lends its full support to a U.S.-Oman Free Trade Agreement, and we look forward to doing our part to help turn this vision into a reality in the months ahead.
operation a petrochemical complex in Oman

Dow and its partners are investing at least $2.6 billion to engineer, construct and

by Michigan-based Dow Chemical Company. (See related story on page 12.) Dow and its partners are investing at least $2.6 billion to engineer, construct and operate a petrochemical complex in Oman – the largest investment ever in Oman by a U.S. company.

Increased exports of liquefied natural gas (LNG), coupled with major projects designed to generate value-added production from Oman’s feedstock, signal growth opportunities for Omanis and their partners. According to the Institute for Research: Middle Eastern Policy (IRmep), the exploitation of natural gas reserves could increase from less than one percent of total energy exports to as much as 25 percent by the end of the decade, replacing anticipated declines in petroleum revenues.

U.S. merchandise exports to the Sultanate have traditionally been concentrated in industrial goods. Total U.S. exports during the period 1989-2004 saw particular emphasis on heavy machinery (36 percent), vehicles (15 percent), and electrical equipment (seven percent). With the economic boomlet that Oman is experiencing in the aftermath of 9/11, driven in part by investments from the UAE and elsewhere in the region, U.S. industrial goods are expected to continue their strong performance.

Oman’s annual import demand, like that of other petroleum producers in the region, is strongly correlated to petroleum export revenues. For now, that’s the good news. In recent years, the overall market share of direct U.S. merchandise exports has increased to $330 million (2004).

The bad news is that daily petroleum production has fallen steadily – from just under a million barrels per day in 2001 to 724,000 bpd in 2004. With this in mind, Oman’s five-year economic development plan seeks additional economic diversification, as well as greater value-added transformation of energy reserves.

No one has sounded the clarion call on diversification more convincingly than H.E. Maqbool Ali Sultan, Oman’s Minister of Commerce and Industry. He recently told Emerging Oman 2005 (Oxford Business Group) that “diversification of the economy away from dependence on oil is a fundamental challenge for Oman. Obviously, this requires a large, sustained investment in non-oil sectors – manufacturing, mining, fisheries, and services. In the manufacturing sector, Oman will have a competitive advantage in those industries which use natural gas as an input and/or as a primary source of energy.”

Oman’s goal to diversify away from commodity energy production, combined with the new Free Trade Agreement with the United States, promises to provide new development and export opportunities for U.S. companies.

According to IRmep, service exports from the United States to Oman should accelerate, reaching half a billion dollars by 2010. The major component of these exports, travel services, should increase as U.S. carriers serve increased flows of passengers into feeder airlines and code sharing partners like Oman Air. As petroleum passes “peak” and becomes harder to extract, additional consulting and engineering services will be required to squeeze out each additional barrel. In the same vein, specialized engineering and field services will be needed to increase value-added production of Oman’s natural gas supplies.

IRmep also forecasts that business services – such as management and financial consulting, public relations and advertising – should at least double each year as demand in Oman surges. New entrants and the maturing business sector should also generate strong demand for business services. In terms of government demand, says IRmep, budgets for business services should also double each year as Oman reaches out to U.S. and other international professionals to help reach objectives set by the Government of Oman.

Plans by Oman Air to upgrade its fleet will serve as a “boarding gate” to increased...
tourism infrastructure in the Sultanate. Oman is implementing a plan to double tourist arrivals by 2010 by diversifying offerings to include more ecotourism, adventure tourism and cultural tourism. Mohsin bin Khamis Al Balushi, Under Secretary for Tourism at the Ministry of Commerce and Industry, has pledged to turn Oman into a magnet for regional tourism and to increase this service sector’s contribution to GDP to three per cent by the year 2020.

Taken together, these positive developments suggest that America’s share of Oman’s market may reach new highs by the end of the decade. Competing petroleum suppliers may depress prices as more capacity comes online around the world, thereby dampening Oman’s overall import appetite during the period 2007-2009. But according to IRmep, aircraft and oilfield sales will boost U.S. share of Oman imports to 8.5 percent in 2006 (as they did for previous sales) and then continue an upward market penetration. U.S. goods and services exports to Oman should break the $1 billion mark by 2007, says IRmep, reaching an estimated $1.763 billion in 2010.

But as the Boeing deal suggests, none of this economic growth will take place on “autopilot.” Oman will need to compete aggressively as an international destination for trade and investment opportunities. The Free Trade Agreement with the United States will help to put Oman on the map, but then it will be up to the U.S. and Oman private sectors to generate ideas, projects, and jobs.

In the words of Faisal Bin Turk Al-Said, Head of Planning and International Relations at the Omani Center for Investment Promotion & Export Development (OCIPED), "From our extensive travels and contacts with members of the international economy, we have realized that Oman is still relatively unknown. Oman can have the best incentives in the world, but they would be of little use to us unless people know about us and what we stand for."

Minister Maqbool Ali Sultan – continued from page 3

replacing remaining shelf-life requirements with a science-based regulatory framework. These conditions will be met for the FTA with the United States.

**Tradeline:** What impact, if any, would the FTA have on the U.S. textile industry?

**Minister Maqbool Ali Sultan:** None. Oman is a very minor producer of textiles. On the other hand, exports of U.S.-made textile products will benefit from the Agreement.

**Tradeline:** What impact, if any, would the FTA have on the U.S. agriculture sector?

**Minister Maqbool Ali Sultan:** Although agriculture imports of some select products such as figs or dates from Oman may increase under the FTA, those amounts would not harm U.S. growers. More importantly, exports of a wide variety of U.S. agricultural products to Oman will likely increase substantially.

**Tradeline:** Does Oman have open and transparent foreign investment laws?

**Minister Maqbool Ali Sultan:** Yes. Oman’s political stability, modern infrastructure, large middle class, and stable securities market makes it conducive to foreign investment opportunities. Companies in Oman can be foreign owned. The provisions of the FTA will significantly enhance the transparency and predictability of U.S. investment and business in Oman.

**Tradeline:** What are the top exports to Oman from the United States?

**Minister Maqbool Ali Sultan:** In 2004, machinery (and parts thereof), vehicles (and parts thereof), medical equipment, and plastics were the top categories of U.S. items exported to Oman.

**Tradeline:** What role do women play in the Government of Oman?

**Minister Maqbool Ali Sultan:** Oman is the first of any Gulf nation to have a female ambassador to the United States. In addition, Oman has three women in its Cabinet.

**Tradeline:** Can workers strike in Oman?

**Minister Maqbool Ali Sultan:** The 1972 ban on strikes was repealed in Oman. Workers in Oman have the right to strike and exercise it often. According to recent statistics, there were 33 strikes in 2004, representing almost 6,000 workers. Workers in 17 companies held strikes in the disciplines of construction, services, tailoring, and industrial activities. All the strikes were resolved through a mediation process held by the Ministry and through consultations between the companies and the workers.

**Tradeline:** Are there labor unions in Oman?

**Minister Maqbool Ali Sultan:** Workers (foreign or Omani) in any establishment may form “representative committees” (labor unions) to protect their interests and to defend their legally prescribed rights. To date, 24 worker representative committees have been established. It is important to note the size Omani companies when assessing the issue of labor unions. There are 55 companies with more than 500 employees and only nineteen companies with more than 1,000 employees.

**Tradeline:** Thank you for your time, Your Excellency.
Oman: Key Indicators At-a-Glance

<table>
<thead>
<tr>
<th></th>
<th>Data</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>3,001,583</td>
<td>U.S. Government</td>
</tr>
<tr>
<td>Omani Citizens</td>
<td>2,424,290</td>
<td>U.S. Government</td>
</tr>
<tr>
<td>Expatriates</td>
<td>577,293</td>
<td>U.S. Government</td>
</tr>
<tr>
<td>Annual Population Growth Rate</td>
<td>3.32%</td>
<td>U.S. Government</td>
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<tr>
<td>GDP Purchasing Power Parity (PPP)</td>
<td>$38.09 billion</td>
<td>U.S. Government</td>
</tr>
<tr>
<td>GDP per Capita (PPP)</td>
<td>$13,100</td>
<td>U.S. Government</td>
</tr>
<tr>
<td>Real GDP Growth Rate</td>
<td>1.2%</td>
<td>U.S. Government</td>
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<tr>
<td>Total 2004 Total Imports</td>
<td>$6.373 billion f.o.b.</td>
<td>U.S. Government</td>
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<td>Exchange Rate U.S. Dollar = Omani Rial (OMR)</td>
<td>.38498</td>
<td>Oanda.com</td>
</tr>
<tr>
<td>Government Type</td>
<td>Monarchy</td>
<td>Sultanate of Oman</td>
</tr>
<tr>
<td>Date of WTO Accession</td>
<td>October, 2000</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>Mobile Telephone Subscribers</td>
<td>900,000+</td>
<td>Oman Mobile</td>
</tr>
<tr>
<td>Estimated Petroleum Reserves</td>
<td>5.5 billion barrels</td>
<td>U.S. Government</td>
</tr>
<tr>
<td>Estimated Natural Gas Reserves</td>
<td>300 trillion cubic feet</td>
<td>U.S. Government</td>
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<tr>
<td>2004 Petroleum Production</td>
<td>657,000 barrels per day</td>
<td>Petroleum Development Oman</td>
</tr>
<tr>
<td>2005 Forecast Petroleum Production</td>
<td>635,000 barrels per day</td>
<td>Petroleum Development Oman</td>
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<tr>
<td>2009 Petroleum Production Goal</td>
<td>800,000 barrels per day</td>
<td>Petroleum Development Oman</td>
</tr>
<tr>
<td>Member of OPEC</td>
<td>No</td>
<td>Sultanate of Oman</td>
</tr>
</tbody>
</table>

Affiliate-at-a-Glance: Oman Chamber of Commerce and Industry

The Oman Chamber of Commerce and Industry (OCCI), an affiliate of the National U.S.-Arab Chamber of Commerce, is widely regarded as the leading voice of Oman’s private sector.

Established in 1973 by Royal Decree, the Oman Chamber of Commerce and Industry provides a wide range of services to its approximately 100,000 members, including (but not limited to): serving as a catalyst for growth and development of Oman’s industry; providing access to policymakers within the Government of Oman; conducting research and due diligence requests; fulfilling requests for certification and legalization of documents; raising awareness among its members about quality, transparency, the environment and consumer protection; providing specialized services for women entrepreneurs and small & medium-sized enterprises (SMEs).

OCCI plays a significant role in implementing Oman’s development plans with a view to diversifying the economy. With this in mind, OCCI conducts trade missions to foreign countries and welcomes foreign business delegations to the Sultanate. In an effort to expand the exchange of expertise, investment and technical know-how, OCCI participates in international and local trade fairs, economic seminars and conferences. Through its members, OCCI represents private sector interests within a variety of Government committees and entities.

OCCI is divided into seven departments: Economic Research, Public Relations, Legal Affairs, Information Center, Registration and Legalization, The Specialized Committees, and Training & Omanization. For additional information about OCCI, please visit www.ChamberOman.com.
Industrial Development: Oman’s “OPIC” Creates Value-Added Opportunities for Investors

In 2004, the Oman Oil Company (OOC), the Government of the Sultanate of Oman, and the Dow Chemical Company created Oman Petrochemicals Industries Company (OPIC) to engineer, construct and operate a petrochemical complex in Oman. Dow’s involvement in this project represents the biggest investment yet in Oman by a U.S. company.

Situated in Fahud and the Sohar Industrial Port Area, the facilities will consist of feedstock production units, a gas cracker, and three world-scale polyethylene production trains based on state-of-the-art catalyst and process technology. With a view to generating additional value, the shareholders and OPIC will encourage the development of downstream industries in Oman that will convert polyethylene to end-products, thereby creating jobs and multiplying the economic impact of the complex.

For Omanis, the formation of OPIC “is a further milestone in the Oman Government’s continuing efforts to develop Al Batinah region by promoting foreign investment which will contribute to job creation, in addition to laying the foundation for future downstream industries,” according to H.E. Ahmed Macki, the Minister of National Economy and Deputy Chairman of the Financial Affairs and Energy Resources Council. Tradeline caught up with Romeo Kreinberg, Dow Chemical’s Senior Vice President for Plastics, to get a status update about the new company.

**Tradeline:** We’ve heard that the total investment in this deal could be as high as $2.6 billion. Is that the exact value of the plant and infrastructure?

Kreinberg: You are correct that the investment was described in October 2004 as one billion Omani Rials which, at the current exchange rate, is approximately $2.6 billion. In the meantime, commodity prices, including steel, have increased. So the final number may be somewhat higher, but the project is still at an early stage and we cannot provide more precise figures at this time.

**Tradeline:** Tell us a little bit about how the deal is structured. Who has the controlling stake?

Kreinberg: The ownership is 50 percent Dow, 25 percent the Government of the Sultanate of Oman, and 25 percent the Oman Oil Company. The company represents a true partnership – helping the Omani government to meet its objectives of attracting foreign investment, diversifying the economy, creating job opportunities and laying the foundation for future downstream industries – while at the same time helping Dow to access cost-competitive feedstock to supply the fast-growing markets of Asia.

**Tradeline:** So neither Dow nor the Sultanate of Oman has a controlling stake? What does that say about the selection of Oman as a partner and your joint venture relationship?

Kreinberg: Oman is well positioned for foreign direct investment in terms of openness and the benefits of working in the Sultanate in particular and the Gulf in general. Oman has a historically strong trade culture with a high degree of political stability created by His Majesty Sultan Qaboos.

It also has a young, well-educated, and highly motivated population with a strong work ethic. One component of the work force development will be Dow’s investment in a training program to develop the necessary tools to operate these highly-skilled jobs.

For a global company like ours, Oman is an important trade point for us to be able to manufacture key products for the Asian market – based on proximity to key markets and long-standing trading partnerships in the region.

Our investment in Oman is not about reducing our manufacturing in the U.S. It is about gaining market access for American products and manufacturing inputs from the U.S. to support growth of our production in Oman, which will ultimately reach out to Asia/Pacific consumer markets. The creation of OPIC is a key step in Dow’s strategy of having cost competitive geographic and product positions that will enable value growth.

**Tradeline:** What is the core of the facility and estimated employee headcount?

Kreinberg: Co-location at the petrochemical complex and installation of a gas cracker will allow Dow to employ patented production processes to produce polyethylene – a key product in the manufacture of numerous industrial goods and packaging. I can’t give you an exact headcount, but OPIC’s goal is to train and provide jobs to as many qualified Omani workers as possible.

**Tradeline:** So OPIC will fully participate in the “Omanization” program, which trains Omanis for the workforce?

Kreinberg: That’s right.

**Tradeline:** When will the plant go into production?

Kreinberg: Usually this type of project is operational within 3-4 years. Groundbreaking and construction will begin in 2006.

**Tradeline:** What other high growth markets, besides Asia/Pacific, will Dow and Oman tap with output from this plant?

Kreinberg: Certainly the local (Middle East) market. Europe is also a strong possibility.

**Tradeline:** In terms of industrial goods and engineering services, what level of impact could the plant construction project have on the United States? It probably won’t produce $2.6 billion in sales, as workers and equipment will likely be sourced globally, but do you have any idea of the benefit the construction phase might have for the United States?

Kreinberg: I cannot give you an estimate of the level of impact this project will have on the U.S. in terms of industrial goods and engineering services. However, we can certainly see great potential for other American companies following us to Oman and setting up manufacturing bases there, particularly as the Sohar Industrial Port complex is being developed.

Also, with our “value park” concept, which involves bringing in manufacturing partners to co-locate with our facility, there are great economic opportunities for American companies in downstream plastic industries.

**Tradeline:** Thank you for your time. We wish you the best of luck!
The forecast of year 2006 import potential is derived from a “top down” model of country market import demand growth that involves correlating the International Monetary Fund (IMF) real GDP growth predictions, actual 2005 year-to-date exports from the U.S. to the Arab market, and U.S. market share trends for each country’s imports over time.

Granular U.S. export category growth rates are estimated from five-year slope calculations. 2005 year-to-date exports to each country market are adjusted with country-specific historical five-year seasonality to arrive at year 2005F exports.

For 2006, “top down” model predictions have been checked against updated baseline “bottoms up” models driven by import demand correlated to real year-to-date average free on board (F.O.B.) petroleum prices, Energy Information Administration (EIA) forecast prices, and production forecasts for major petroleum exporting countries. For some major categories, such as aircraft sales, the five-year slope has been adjusted against a longer purchase pattern and official country market purchase intentions.

Major services export categories, such as travel, financial services, education, consulting, and engineering, are not covered in this 2006 Outlook report. Empirical data reveal that in one major country market, services accounted for additional revenues of 30 percent or more of the total U.S. manufactured good export revenues. In other cases, the revenues from services are estimated to provide an additional 10-20 percent of reported manufactured goods exports as U.S. companies provide comprehensive “solutions” involving equipment and installation and maintenance services.

As with any forecast, the numbers and estimates in this report should not be a sole source of planning information. Rather, they should be compared and contrasted against other public and proprietary data sources.

**Oman Data**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2005 est.</th>
<th>2006 est.</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast Real GDP Growth Rate</td>
<td>3.6%</td>
<td>5.3%</td>
<td>IMF</td>
</tr>
<tr>
<td>Total Merchandise Imports</td>
<td>U.S. $7.3 billion</td>
<td>U.S. $10.8 billion</td>
<td>IRmep</td>
</tr>
<tr>
<td>Merchandise Imports from the U.S.</td>
<td>U.S. $0.554 billion</td>
<td>U.S. $0.923 billion</td>
<td>IRmep</td>
</tr>
</tbody>
</table>

Oman’s stability, governance, and market opening strategies—begun in the 1970s—have begun to pay off. Oman still relies heavily on exports of petroleum and natural gas, but the country has spearheaded a broad diversification of the economy in the Sultanate’s five-year plan, which calls for expanded tourism, value-added petroleum product manufacturing, and the participation of more companies in manufacturing projects to serve European and Asian markets.

**Oman – 2006 Forecast Top Ten Manufactured U.S. Imports ($ Billion)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Export</th>
<th>5 Year Annual Growth Rate</th>
<th>2006 U.S. Export Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explosives</td>
<td>Explosives, Pyrotechnics</td>
<td>38%</td>
<td>$8.3 million</td>
</tr>
<tr>
<td>Paper</td>
<td>Paper</td>
<td>33%</td>
<td>$6.6 million</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>Pet Food</td>
<td>177%</td>
<td>$5.1 million</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>Fruits &amp; Nuts</td>
<td>34%</td>
<td>$1.1 million</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>Cosmetics</td>
<td>15%</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>Fabrics</td>
<td>Woven</td>
<td>69.3%</td>
<td>$0.1 million</td>
</tr>
</tbody>
</table>

The U.S. share of oilfield services and equipment is picking up as U.S. companies edge out European and Asian competitors for a larger share in exploration and development. In 2005, U.S. petroleum company Occidental and the UAE’s Liwa Energy announced investments of more than U.S. $2 billion to increase the Mukhaizna oilfield’s heavy crude flows from 10,000 barrels per day (bpd) to 150,000 bpd. The Sultanate reassigned exploitation of the field from Royal Dutch/Shell to Occidental as part of an aggressive development scheme aimed to reverse declining production and increase Oman’s total output to 800,000 barrels per day by 2009.

With the recent signing of a U.S.-Oman Free Trade Agreement, the Sultanate hopes to build on its increasingly close economic ties to the United States.
The Sultanate of Oman and the
2005 Smithsonian Folklife Festival

Q&A With Dr. Richard Kennedy

“Oman: Desert, Oasis and Sea” was a focal point at the 2005 Smithsonian Folklife Festival, held on the National Mall from June 23 to July 4. It was the first Folklife program ever to feature an Arab nation, and the exhibit skillfully blended the unique music, dance, foods and rich craft traditions of the Sultanate of Oman.

Spearheading this event was Dr. Richard Kennedy, Deputy Director of the Smithsonian’s Center for Folklife & Cultural Heritage. Tradeline discussed with him Oman’s participation in the 2005 Folklife Festival.

Tradeline: What distinguishes Omani culture, arts and crafts?

Kennedy: Oman’s connections to India, Africa and Persia are as strong as its Arab and Middle East heritage. Oman is a complex Arab culture drawing on all of these resources from the Middle East and Indian Ocean for millennia, and it presents an interesting cultural counterpoint for any who may have certain regional stereotypes.

Tradeline: So what kinds of myths and stereotypes may have been dispelled through the firsthand experience of visitors?

Kennedy: The biggest may be that people generally think of Arab nations as exclusively Bedouin. Oman is somewhere in the middle. It remains connected to its Bedouin traditions, and is trying to preserve those traditions, yet it also has maritime traditions. The oasis and trade are equally important to the complex culture of Oman, a nation with a long seafaring tradition.

Second, when we talk about the Gulf, people often focus on high rises, glass, and gleaming sky scrapers. In terms of the modern high-rise stereotype, Oman has been very careful architecturally to keep cities like Muscat consistent and connected to its heritage. There are modern cities, replete with motor vehicle expressways, but Omanis have been careful to make a human scaled urban environment.

Tradeline: Exhibitors at the Folklife Festival displayed many arts and crafts. But could exhibit visitors actually buy ceremonial daggers and other unique items?

Kennedy: Definitely. We hope that by exhibiting, the festival honored individuals who have held onto their traditions in the face of pressure from “Madison Avenue.” Visitors saw everything from weaving of Wahiba Sands in the eastern region of Oman to jewelry from the oasis, baskets, indigo scarves, perfumes and incense from Salalah.

No one was allowed to sell on the National Mall, but a marketplace across from the Freer Gallery of Art served individuals who wanted to buy items or establish commercial relationships.

Tradeline: How does Oman fit into the larger Folklife mission?

Kennedy: The Smithsonian is particularly interested in Oman because they made some wise decisions as they came out of isolation in the 1970s. Oman has not galloped quickly into globalization. It has been careful about ecological preservation, such as marine turtle breeding grounds, even reintroducing species extinct from Oman. Oman’s leadership has revitalized the country as a center for trade, music, craft and architectural heritage. Omanis realize that they don’t want to lose what is uniquely theirs as they move into the global market.

The Smithsonian is honoring and recognizing cultures and nations that are aware that their roots are as important to nurture as their future. Omanis are doing both at the same time. They are in balance.

Tradeline: What are some good reading materials for those wanting to get up to speed on Oman?

Kennedy: That is one of the challenges: There is relatively little written about Oman. A few geologists and anthropologists, who love Oman because of its stance on preservation, have written in specialty publications. There is not much available to the general public. There is a special two-volume set called “The Craft Heritage of Oman” by Marcia Dorr and Neil Richardson, which we offered at the festival.

In addition, there are excellent English language websites through the Ministry of Information, as well as books from Motivate Publishing and travel guides from Lonely Planet. You can also learn quite a bit about Oman in the early 18th century – stories of true life drama and intrigue – and books critical of British government involvement in Oman. But these and other general history books are a little out of date and not entirely relevant. I suggest that readers look over Amazon.com, which will come up with the dozen or so available books.

Tradeline: What can you tell us about culinary specialties of Oman?

Kennedy: We featured demonstrations of Omani cooking and foods in the oasis kitchen, and demonstrations by chefs from the Al Bustin Hotel. In front of Freer, Emir’s Bistro prepared True Omani delicacies, however, are best sampled during visits to Oman. There are fish dishes unique to Oman that simply cannot be reproduced for thousands of diners in a “fast food” setting.

True Omani delicacies, however, are best sampled during visits to Oman. There are fish dishes unique to Oman that simply cannot be reproduced for thousands of diners in a “fast food” setting.

Tradeline: How many and what type of festival visitors does Smithsonian usually receive?

Kennedy: More than one million visitors attended the 2005 festival. A number between 900,000 to 1.5 million visited the Silk Road in 2002. It is an open festival,
and we really cannot determine exactly how many will attend.

**Tradeline:** Tell us what it takes for potential tourists to get a visa and visit Oman.

**Kennedy:** Tourism is one of the highest priorities of the government, which is looking to diversify service revenues. People need to know that Oman is safe, secure, and a fascinating destination. Until now, it doesn’t seem that tourism promoters have really tried very hard to penetrate the American market. In Oman, like many countries “off the beaten path,” you find larger numbers of Europeans, particularly German visitors. So the American market is largely untapped for Oman.

**Tradeline:** What were some of the unexpected delights of the festival – things that most visitors didn’t know about until they arrived?

**Kennedy:** Well, some heavyweight contenders were the camels coming in from Texas. We also brought in Florida date palms and set up an entire Bedouin camp! I think that was interesting for American visitors – to tour a camp among men, and particularly veiled Bedouin women, who talked about why they chose their dresses and adornment, as well as the importance of perfume and frankincense.

We also gave out a very popular item: date palm fans. There were different Internet website addresses for the “fans of Oman,” as well as lapel pins.

**Tradeline:** Were visitors exposed to Omani music only during scheduled concerts?

**Kennedy:** No, the Center for Traditional Music programmed performances all day long. There were workshops ranging from traditional to modern music and ongoing music from ensembles of the three towns of Qurayat, Salalah and Sohar.

In addition, musical recordings are available through Global Sound (http://www.smithsonianglobalsound.org), a Smithsonian recording and online music company that provides global distribution to a diverse array of performers from many cultures.

**Tradeline:** Thank you for sharing your perspectives on the Folklife Festival and Oman’s rich heritage.

For additional information on the Smithsonian Folklife Festival, log onto www.folklife.si.edu

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**Frankincense – From Resin and Incense to Luxury Items**

High quality frankincense is currently fetching $7.30 per pound on the world market. Aromatic resin from the Boswellia sacra tree grown in southern Oman provides the raw material for frankincense, seeping from cuts in the tree. Frankincense is still burned for its fragrance, but don’t look for low prices at the counter of luxury items like perfume. Amouage, an Omani perfume, competes with the world’s most expensive fragrances at $220 per ounce. Amouage began as a dream of H.H. Sayyid Hamad bin Hamoud al bu Said, who wished to restore the Arabian art of perfumery to the region. His vision resulted in Amouage, the most valuable perfume in the world.

Headquartered in Muscat, the Amouage perfumery still provides the individual hand finish to every bottle of perfume that it sells. Visitors can tour the showroom, which welcomes every guest with traditional Arabian hospitality. The inner workings of the headquarters are considerably more sophisticated, managing an extensive distribution network that sells to 24 countries around the globe.
A Celebration of Omani Culture

On June 29, 2005, a capacity crowd of nearly 500 people attended “A Celebration of Omani Culture” in Washington, DC. The gathering consisted of performances by music and dance ensembles from the Sultanate of Oman, as well as a reception featuring Omani cuisine. The event was the first of its kind to be held in the Smithsonian Castle—a Washington landmark for 150 years.

The Celebration was hosted by the National U.S.-Arab Chamber of Commerce, the Smithsonian Center for Folklore and Cultural Heritage, the Embassy of Oman, and the Oman Chamber of Commerce & Industry. Corporate sponsors included The Boeing Company, Parsons Brinckerhoff, Turner Construction—International, and W.J. Towell.

The Celebration was attended by a wide variety of high-level Washingtonians, including Members of Congress, senior officials in the Bush Administration, business leaders, academics, and top diplomats representing some 40 nations. This people-to-people gathering was held in conjunction with the 2005 Smithsonian Folklife Festival, which was focused on the Sultanate of Oman—the first Arab nation ever to be featured at the Festival.

“I am extremely impressed by the response we received from the American people,” said H.E. Mohamed Ali Al-Khusaiby, then Oman’s Ambassador to the United States. “This event gave us an opportunity to reach out to Americans through music, dance, and traditional artifacts. We are hopeful that many of these new friends will be inspired to visit Oman and gain firsthand experience with our country, culture, and people.”

The 2005 Smithsonian Folklife Festival and the Celebration of Omani Culture—featuring over 100 musicians, dancers, craftsmen, and cooks representing cultural traditions from the desert, oasis, and sea—provided a unique opportunity to raise awareness in the U.S. capital about the Sultanate of Oman. The cultural exchange helped to enlighten and entertain, but it also served as a link that may translate into stronger ties between the United States and the Sultanate of Oman.

Oman Appoints First Arab Woman Ambassador to the USA

H.E. Hunaina bint Sultan Al-Mughairy was appointed Ambassador to the United States on December 2, 2005. She is the first fully-credentialed woman ambassador sent to the United States by an Arab nation.

Ambassador Al-Mughairy’s professional career has focused largely on Oman’s commercial and industrial sectors, which makes her an ideal candidate to lead Oman’s efforts in the United States to market the recently signed U.S.-Oman Free Trade Agreement.

Prior to coming to Washington, Ambassador Al-Mughairy served for six years as Oman’s Commercial Attaché at the Permanent Mission to the United Nations in New York. That posting came on the heels of her stint as Director General of Investment Promotion at the Omani Center for Investment Promotion and Export Development (OCIPED).

Ambassador Al-Mughairy served for many years at Oman’s Ministry of Commerce and Industry—first as Director of Industrial Loans and Grants, then as Director of Industrial Planning and Research, and finally as Advisor to the Undersecretary for Industry. In addition, she served as a member of the Planning Committee of Major Gas Projects in Oman.

Ambassador Al-Mughairy received her Bachelor’s degree from the High Polytechnical Institute in Cairo, Egypt and her Master’s degree in Economics from New York University.