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A Common Vision

This year marks the 180th anniversary of the Treaty of Amity and Commerce signed by the Sultanate of Oman and the United States—the first bilateral accord between the U.S. and an Arab Gulf state. Since then, both nations have enjoyed a strong and mutually beneficial relationship. Given Oman’s strategic position, perched at the tip of the Arabian Peninsula overseeing three critical seaways, bilateral relations have historically focused on supporting maritime trade. Today, promoting commerce remains a priority for both nations, and U.S.-Oman trade continues to flourish. Oman exports billions of dollars’ worth of oil, fertilizers, iron, and steel to American industries and imports billions more in high-value American goods, including heavy machinery, vehicles, and oilfield supplies. Trade flows surged after a 2009 free trade agreement (FTA), hitting a record $3.6 billion in 2011, a fivefold increase from 2001.

Many U.S. corporations have found valuable opportunities in Oman, enticed by the country’s renowned business-friendly environment, industrial infrastructure, and sustainable growth trajectory (the International Monetary Fund forecasts that Oman’s economy will grow an average of 3.8 percent per year until 2018). While foreign direct investment has cooled throughout the Gulf amid regional unrest and a global slowdown, Oman’s oil and gas sector and growing array of diversified, downstream ventures continue to attract American interests to the Sultanate—especially into glimmering new economic zones like the one under construction in Duqm. Oman’s development strategy, managed by successive five-years plans, has taken on a truly global dimension. The country is transforming into a regional hub for production and trade—bringing together international capital and domestic resources, and providing easy access to developing markets. Oman’s global integration is more than economic. Under the leadership of Sultan Qaboos, Oman has solidified its reputation as a much-needed advocate of peace and tolerance in the region and a proactive partner in promoting collective security throughout the Gulf. American and Omani officials are working closely to deal with joint threats—from narcotics and maritime piracy to human trafficking and terrorism.

More Engagement

In line with shared achievements and milestones, there are many in Muscat and Washington who see vast economic, political, and social space in which to grow the American-Omani partnership. Commerce officials in Muscat acknowledge that the FTA can perform better, noting that investors in both countries are often unaware about cross-border opportunities. The officials hope that increased trade delegations and improved information campaigns—especially regarding Oman’s progress in protecting intellectual property rights—will help boost investor confidence in both countries. For many in Oman, the FTA is a promising stepping stone to a deeper bilateral partnership that brings together these diverse yet complementary nations. Oman’s private and public sectors alike have welcomed U.S. support in the development of Oman’s human capital—and hope the future brings more economic, scientific, and technological engagement.
Successful Synergies

More and more Omani companies have pioneered global partnerships and are responsible for the country’s increasingly outward-looking orientation.

Until the 1970s, Oman’s commercial and industrial complex mirrored its diplomatic relations: few ties to foreign partners existed, and there was little value added by cross-border ventures. The rise to power of the globally minded H.M. Sultan Qaboos quickly cleared the way for a new generation of Omani executives, and Oman’s companies soon began to forge strong ties abroad.

Early joint ventures with Omani firms focused primarily on retail, oil and gas, and development projects, bringing in international goods and expertise to support the Sultanate’s transformation into a modern economy. Today, the Sultanate’s plans to diversify away from oil and gas, known as Vision 2020, has opened up downstream channels for collaboration and development.

This, too, has brought serious international players to the table. Sohar Aluminium, or SA for short, the country’s first foray into the aluminium industry, is a perfect example. Jointly owned by Oman Oil Company, Abu Dhabi’s TAQA, and British-Australian metals giant Rio Tinto Alcan, SA combines state-of-the-art technology with low operating costs and onsite demand. In fact, 60 percent of SA’s production is intended for consumption by the nearby Sohar industrial cluster. The company has also positioned itself to source the majority of its total purchases from local producers, including small and medium enterprises (SMEs) whenever possible.

“Through our partnership, SA has proven that it can create jobs in production, as well as through service contracts, vendor agreements, and indirect business creation,” says SA’s deputy CEO, Said Al Masoudi. “Aluminum creates opportunities many times over before finally being exported outside Oman.”

Dividends from Oman’s global partnerships are not confined to business. The Sultanate’s largest corporations have created ways to harness the expertise of international partners toward social development projects and capacity building.

Oman Oil Company’s human capital unit, Takatuf, recently launched a leadership academy in conjunction with London Business School and has signed training agreements with global industry leaders, including Petrofac and Schlumberger.

“In Oman, we need to look for responsible global partners who can share technical know-how and expertise with Omanis,” says Ahmed Al Wahaibi, CEO of Oman Oil Company. “This can help develop further skill sets domestically and enable Omani businesses to compete globally.”

Few individuals represent this human potential better than Mohammed Al Jahwari. Hired into the oil and gas industry in his early twenties and with no experience, Al Jahwari spent a number of years training in site evaluation and directional drilling with industry leaders Baker Hughes Inteq and Halliburton.

In 2001, Al Jahwari launched his first drilling company and, after a remarkable twelve years of expansion, he started his second, MODUS, in 2013. MODUS, which specializes in drilling and associated services, has teamed up with the region’s biggest players in complex drilling projects throughout the Sultanate. Given Oman’s difficult geology and challenging recovery process, MODUS’s local knowledge has proved invaluable for its partners. Most important, 100 percent of MODUS’s assembly and maintenance facilities is based in Oman, and 100 percent of MODUS’s drilling department is run by Omanis.

“We have a clear strategy,” says Al Jahwari. “First, we localize the service and equipment maintenance part of the operation, and then begin to manufacture the equipment here. The legacy we will leave behind to Oman is technical know-how.”

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Smart Choice

Oman’s economic policymakers believe that their country’s value proposition is no longer limited to oil-fueled growth rates and cheap energy. Today, the Sultanate sees its strength in its business-friendly nature — and in its ability to help Oman-based operations speed their products to international markets.

The Public Authority for Investment Promotion and Export Development (PAIPED) is responsible for ensuring these competitive advantages. Founded in 1997 and relaunched as a government authority in 2011 by Royal Decree, PAIPED’s mandate is broad: to fully support the needs of investors, exporters,
gains and maintain growth by creating more opportunities and initiatives that promote Oman’s offer as a manufacturer of quality international products,” a representative of PAIPED said recently. “This, in turn, will help us attract and win further inward investment.”

Generating “In-Country Value”

Oman’s oil and gas industry contributes roughly one-half of Oman’s gross domestic product (GDP) annually. Yet Oman has struggled for decades to fully capitalize on its natural resources before exporting them. A bold new initiative aims to extract more value from Oman’s hydrocarbons before they even leave the Sultanate.

Known as In-Country Value (ICV) and developed with international consultants, Oman’s new directive creates a list of criteria for all energy companies to use on tenders for new oil and gas contracts. Criteria include investments in fixed assets, the percentage of Omanis on staff, provision of training programs for staff, local sourcing of goods and services, development of national suppliers, and support of national training and research and development institutions.

Not all of the ICV program is new. The “Omanization” directive, for example, has set quotas for hiring Omani nationals since 1988 and is credited with facilitating the large-scale knowledge and skill transfer that has taken place over the past few decades. (Today, the most competitive multinationals in Oman, such as Schlumberger, actively recruit Omani specialists for international posts.)

Omani officials behind ICV believe that combining the multiple criteria into one unified policy will create strong incentives to employ local partners—using windfall hydrocarbon revenues to create broad-based economic growth. And top industry representatives see this as an essential step toward Oman’s long-term success.

“The In-Country Value initiative plays a key role in supporting SMEs,” says Ahmed Al Wahaibi, CEO of Oman Oil Company. “It unlocks our country’s economic potential and helps create a sustainable economic base.”

As the head of one of Oman’s largest employers and investors, an organization that alone amasses 3.6 percent of Oman’s GDP, Al Wahaibi speaks with authority on the matter.

“We believe that ICV should not be an exercise in preferential treatment,” he says, “but rather a platform that helps local companies legitimately compete on a level playing field with international players in offering products and services. This has the effect of creating more competition in the marketplace as well as raising the quality of service and professionalism of local businesses; a win-win situation for all. The ultimate success of ICV would be to see Omani local businesses having the ability to compete in the global marketplace and export their services worldwide.”

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Destination Duqm

An ancient fishing village is transformed into one of the world’s most advanced hubs for global trade

At first glance, the tranquil coastal region of Al-Duqm, with its pristine beaches and fewer than 5,000 inhabitants, seems an unlikely hotspot for global commerce and industry. But thanks to one of the most ambitious development plans in the Middle East, this will soon change.

Following a 2011 Royal Decree, Al-Duqm—a strategically located port-of-call—is being recast as an international maritime and logistics hub. Tasked with overseeing this multiphase, multibillion-dollar project is the Special Economic Zone Authority at Duqm (SEZAD). "The Duqm project capitalizes on the country’s political stability and Duqm’s strategic location on the Arabian Sea,” says H.E. Yahya Saied Abdullah Al-Jabri, SEZAD’s chairman. "The port is located outside the geopolitical constrictions of Hormuz Strait, and within a short turnaround time for major shipping lines traversing the Indian Ocean.”

With a land area of 1,777 km² and 80 km of coastline along the Arabian Sea, the new Special Economic Zone (SEZ) will be the largest in the Middle East and North Africa. A model of integrated economic development, the SEZ will comprise eight complementary zones, including a sea port, an industrial area, the new town, a fishing harbor, a tourist zone, a logistics center, and an education and training zone. Innovative use of renewable energy sources will make Duqm one of the most environmentally friendly economic zones in the world. And a new, multimodal transport network will link the SEZ to other regions by road, rail, sea, and air.

To facilitate heavy demand from shipping companies, the SEZ will be outfitted with an ultramodern, multipurpose port facility capable of handling all types and sizes of vessels, including container, general cargo, and oil carriers. It will also feature a dry dock facility providing ship repair and maintenance services as well as a liquid jetty. To construct the SEZ in accordance with the highest international standards and best practices, the government of Oman called in global industry leaders, including Antwerp Port Authority, Daewoo Shipbuilding, and Marines Engineering Company, to manage and operate individual facilities. The UAE’s International Petroleum Investment Company, too, has joined forces with Oman Oil Company to build Oman’s largest oil refinery and petrochemical cluster on site—with a production capacity of 230,000 barrels per day.

"Maximum efficiency and effectiveness are our top priorities,” says Al-Jabri. “For that reason the government of Oman has forged strategic partnerships with leading international companies.” Project planners believe that creating a business friendly environment is the key to Al-Duqm’s future success. Imports into the SEZ will be duty-free, and tax regimes, land-lease rates, and utility tariffs will all be provided at competitive rates. A one-stop shop, SEZAD will register, license, and provide environmental approvals for all businesses. Al-Jabri has been encouraged by the strong early interest that international businesses have shown in the SEZ. He is optimistic that the industrial infrastructure and quality of life on offer at Duqm will continue to attract top Omani and foreign firms. Most of all, he is confident that the project’s success will continue to drive the local economy forward and help set the standard for future development projects throughout Oman.

“The investors in the Duqm Zone are our partners in this ambitious plan to develop Duqm,” says H.E. Yahya Saied Abdullah Al-Jabri, SEZAD’s chairman. “Not only will the SEZ be a model for economic, social, and environmental sustainability, Duqm will become a modern urban center where young Omanis work, live, and enjoy a high standard of living.”

The Final Say

Amid much uncertainty in the region, the Sultanate is moving decisively forward—toward sustainable economic growth and deeper international integration. With so many new opportunities and new partners to be found, Oman is the country to explore in the coming year.