

Embassy of India

Muscat

No. MUS/201/1/2012

March 13, 2012

Annual Economic & Commercial Report for 2011

Part-I

Overview:

i. The Sultanate's economy exudes a promising outlook for 2012, with the state's huge investments in strategic infrastructure projects of 2011 having a positive impact on growth. Moreover, the government's continued spending to create jobs and improve key infrastructure in 2012 will have positive impact on value addition and economic growth. According to the Minister of Financial Affairs, Darwish bin Ismaeel al Balushi, total spending for 2012 has been set at RO 10 billion (\$26 billion), with expected revenues forecast to be RO 8.8 billion (\$22.85 billion). The Sultanate's economy is expected to post a growth rate of 5.5 per cent in 2011, with GDP projected to expand by 5 per cent in 2012, said the minister. In 2012, the government's expenditure will increase by 10 per cent over the current year's total, which augurs well for the economy. In its 2012 spending programme, the government will be increasing expenditure by around 10% over the previous year's total, with much of the additional outlays being directed towards projects aimed at boosting the economy and creating employment opportunities for Omanis. According to the Finance Minister, the higher spending would boost employment and create about 30,000 jobs for students expected to graduate in 2012, and 50,000 more jobs would be made available to those who are already on the waiting list.

ii. With a positive outlook for 2012, Oman's banking sector continued to remain buoyant during 2011 up to May. Credit growth accelerated during the first five months of this year, reflecting rising demand consistent with economic growth. Total assets of commercial banks increased by 6.2 per cent to RO 16,011 million in May 2011, compared to RO 15,082 million in May 2010.

iii. **Eighth Five-year Plan:** Oman has envisaged RO 42.71 billion for the Eighth Five-Year Plan (2011-2015). The total projected revenue for the five-year period is estimated at RO 37.495 billion, leaving a deficit of RO 5.215 billion. The preliminary forecasts of the plan indicate the gross domestic product (GDP) to grow at an annual average rate of 6 per cent at current prices and 5 per cent at constant prices. Also, the inflation rate is expected to remain at an average of 4 per cent for the plan period. The plan will strive to enhance economic diversification process through focusing on

development of sectors such as tourism, industry, agriculture and fisheries. Accordingly, non-oil activities are expected to grow by an annual rate of about 10 per cent at current prices and 6 per cent at constant prices. During the 8th five year plan period, RO 2.0967 billion has been approved for the massive expansion of Muscat and Salalah airports and for the construction of four regional airports (Sohar, Adam, Ras al Hadd and Al Duqm). In addition, RO 1.23 bn will be spent on various road projects during the plan period. Major road projects include dualisation of Nizwa-Thumrait road at an estimated cost of RO 250 million, Al Batinah Express road at a cost of RO 250 million, Al Batinah Coastal road estimated at RO 200 million, dualisation of Bid Bid-Sur road at a cost of RO 240 million and dualisation of Ibri-Jibrin road at a cost of RO 73 million. RO 445.4 million is allocated for developing various sea ports, which include a RO 216 million investment for Al Duqm Port and construction of quay walls at Salalah Port at a cost of RO 184.1 million. Plans are also afoot to develop small fishing harbours and ports in places like Barka, Musannah, Muhout, Sadah and Al Shuymia. Besides, there are plans to build new sewage network and expand the existing ones in different places, including Barka, Musannah, Sohar and Dhofar region.

iv. MSM:

a. The corporate performance of MSM 30 Index companies remained a mixed set of numbers with stronger performance seen from the Banking sector companies primarily driven by healthy recovery in credit off-take and continuance of higher margins. According to a report 'Global Equity Markets Review 2011', published by United Securities, Oman matched the performances of stock markets in the Middle East and North Africa (Mena) region and witnessed a fall in both share values as well as turnover last year. The Mena region's benchmark index Dow Jones Mena Index witnessed a decline of 13.9 per cent to 473.4 points in 2011 from 548.6 in 2010, mainly led by the crash of the Egypt Index. United Securities report noted that the turnover of Oman bourse declined by 25 per cent to \$2.57 billion in 2011 from \$3.42 billion in 2010. The average daily turnover receded to \$10.46 million in 2011 from \$13.84 million in 2010, while the volumes declined by 21 per cent to 2.38 billion shares in 2011 from 3.02 billion shares in 2010. Further, total market capitalisation fell 5.1 per cent to \$26.8 billion from \$28.29 billion in 2010, despite additions of SMN Power IPO.

b. In mid-September, 2011, Oman's largest power company, SMN Power Holding, launched an initial public offering (IPO) in mid-September. The offer is being made under the terms of its agreement with the government in which 35% of the company's total share capital had to be offered to the public before the end of 2011. SMN Power supplies nearly one-third of Oman's mains electricity and one-fifth of the country's mains water. The IPO was expected to raise OR25m (US\$65m) for the stakeholders.

c. In late August, the Muscat Securities Market (MSM) approved the introduction of margin trading, that is investing in shares using borrowed money with the securities being used as collateral.

v. **Islamic Banking:** Oman stood poised to enter the world of Islamic finance with the news in early May that the Sultan had approved the establishment of a stand-alone Islamic bank. Existing banks will also be allowed to operate sharia-compliant windows, but will not be permitted to become Islamic banks, according to Central Bank of Oman (CBO). In late September the executive president of the Central Bank of Oman, Hamood Sangour al-Zadjali, stated that Bank Nizwa and Al Izz International Bank, which will be listed on the MSM, have been awarded licences to operate as specialized Islamic banks. The new banks are expected to start business early in 2012. This will coincide with the opening of Islamic banking windows at those existing banks that have applied to operate them. In late August, Oman's only non-listed bank, Oman Arab Bank, announced that it had been given approval for an IPO of 25% of its shares, expected to take place in late 2011 or early 2012. Government rules normally require a minimum of 40% of a firm's shares to be floated.

vi. **Sanad Programme:** In October 2011, Sanad Programme, which is aimed at providing maximum employment and entrepreneurship for Omani youth, celebrated its tenth anniversary. Sanad's statistics show that since its inception, it supported the establishment and expansion of 12,998 shops that provided job opportunities to 28,502 Omani nationals till the end of September 2011.

vii. **IMF Report on Oman:** According to a release of IMF in late December, Oman's economy has largely been unaffected by the recent turmoil in global financial markets and the Eurozone debt crisis with about 80 per cent of Oman's oil-dominated exports going to Asia. The IMF said that given a projected 10 per cent increase in government expenditure and with some slowdown in hydrocarbon output, overall real GDP growth is projected to edge down to 5 per cent in 2012. Inflation is expected to remain moderate at an annual rate of about 3.5 per cent, and the fiscal and external surpluses are projected to stay high at about 8 per cent and 10 per cent of GDP, respectively.

viii. **Protests across Oman:** The first half of the reporting year 2011 was overshadowed by popular protests that started in Sohar in late February and spread to the rest of the country, including Muscat and Salalah. Protests in Oman were mainly calling for an end to government corruption and complaining against low wages, high prices and unemployment. Government's immediate concessions, in response to these widespread and violent protests with a few casualties came in the form of social reforms and reshuffling the Cabinet. Other major concessions included increase of minimum wages of Omani employees, announcement of 50,000 jobs for Omanis,

unemployment allowances, increase in stipend for higher education, new scholarships, new labour law, a two-day weekend, price subsidies. In June, the expansion of state-funded access to higher education, and plans for a marriage support fund, were announced. Ministry of Manpower has been, since then, seen as a stalwart in implementing the policy of Omanisation by asking private sector companies to make more jobs for Omani nationals. There was a low-voice protest, but prominently published by media, by the private sector companies raising their concern on the viability of the government focus on Omanisation and salary hike for their Omani staff.

ix. Employment and Omanisation:

As an estimate released by Economic Intelligence Unit (EIU), of the 956,000 expatriates legally employed in the private sector at the end of 2010, over 400,000 were employed in construction, 93,000 in private households, and 63,000 in agriculture; 73% have no secondary education. At the end of 2010, 126,000 expatriates were employed in the wholesale and retail trade, and repairing vehicles and household goods, all typical small businesses. The government is continuously trying to address the problem with "Omanisation" quotas. Ministry of Commerce & Industry intensified ways to strengthen the small and medium-sized enterprise sector, the growth of which could potentially play a major part in providing jobs for young Omanis. In April, the Commerce & Industry Minister Saad bin Mohammed bin Said al-Saadi announced that the Ministry was opening a business centre and loan guarantee fund for new companies.

x. Food Security: In early March, the Ministry of Commerce & Industry signed an agreement with a Greek agro-engineering company, TAME, for the design and construction of wheat silos in Sohar and Salalah. Oman currently has a year's supply of rice. In addition to that the government was also increasing its capacity to store sugar and rice. Meanwhile, in order to ensure a good supply of fish to local markets at reasonable prices the Ministry of Agriculture and Fisheries instituted a seven-month export ban on five species of fish—hamour, tuna, kingfish, sole and emperor—starting on March 1st 2011. In November, the ban was extended for further four months. In August, the Public Authority for Consumer Protection (PACP) decided to make any price increase without first getting official permission illegal for suppliers of goods and services. The PACP was created by royal decree at the beginning of March 2011 in an early response to countrywide demonstrations. PACP is authorized to impose penalty for raising prices without permission.

xi. Gas shortages: The government was reported as under pressure to allocate gas for the expansion of its new large industrial projects. Sohar Aluminium, Oman Vale Pelletising Company, Oman India Fertilizers Limited (OMIFCO) and Jindal Shadeed Iron & Steel are waiting for additional gas for their envisaged expansion. There are

increasing concerns in Oman about a looming shortfall of gas needed to fuel the nation's industrial development and increasing power and water demand. The oil and gas minister, Mohammed bin Hamad al-Rumhi, confirmed to the media in mid-May that Qatar will not be supplying extra gas above the 200m cu ft/day that it currently supplies under a 25-year agreement. The current Omani production of 90m cu metres/day of gas meets its present demands. However, for additional demand there is no commitment by the Omani Ministry.

Part-II- Major Economic Indicators

GDP:

i. Oman's economy posted good improvements in the last three quarters of 2011 with gross domestic product (GDP) growing by 23.3% at the end of September 2011 to hit 20.072 billion rials compared to 16.276 billion rials in 2010.

	2006	2007	2008	2009	2010	2011
GDP in USD billion	35.7	40.7	57.8	45.8	58	33.1 (till June)

ii. The oil sector, which grew by 34.9%, witnessed a remarkable growth in production and contributed a major share to the GDP growth. Non-oil activities also recorded growth rates of 13.1 per cent. The average daily oil production during the first nine months of 2011 rose to 883,200 barrels from 860,200 barrels in 2010. The average oil price during the period also rose to \$102.06 per barrel from \$76.58.

iii. The data also showed a rise in the added value for the non-oil activities from 8.98 bn rials at the end of third quarter of 2010 to 10.2 bn rials at the end of the third quarter 2011, a growth of 13.1%. Most of the increase is attributed to the growth of industrial activity by 18 per cent, service activities by 11.5% and agriculture and fisheries activities by 4%. The maximum increase in industrial activity came through the growth in the added value for the manufacturing sector by 24.7%, electricity and water supplies by 9.5%, construction by 9.2%. The mining and quarries sector recorded a growth of 2.6%. Service sector activities during the period witnessed a remarkable improvement. The value addition of these activities rose from 6.19 bn rials in 2010 to 6.89 bn rials in 2011. The other service activities recorded positive growth rates during the period. The wholesale and retail sector grew by 10.6%, restaurants by 4.9%, transport, warehouse and communication by 14.7%, financial brokerage by 9.1%, real estate, rent and businesses by 7.3 %.

Inflation: Consumer price inflation was estimated to have averaged 4% in 2011 owing to high food prices—Oman imports the bulk of its food requirements.

External Trade:

a. Top 5 Importing partners of Oman (Non-Oil trade)

Exporters	Imported value In 2009	Imported value In 2010	Imported value in 2011
World	17,850	19,973	17,027
United Arab Emirates	3,901	4,828	4,737
China	845	678	1,033
India	1,042	572	869
United States of America	955	886	863
Saudi Arabia	622	774	737

(Source: statistics available in the website of OCIPED and Central Bank of Oman)/ (Unit: US Dollar million)

b. TOP 5 Exporting partners of Oman (non-oil trade)

Importers	Exported value In 2009	Exported value In 2010	Exported value in 2011
World	27,650	36,600	31,865
United Arab Emirates	1,494	1,702	2,677
India	627	890	787
China	4,87	474	411
Saudi Arabia	380	444	1,295
Iran (Islamic Republic of)	521	290	416

(Source: statistics available in the website of OCIPED and Central Bank of Oman)/ (Unit: US Dollar million)

c. Bilateral Trade:

Bilateral Trade

Year	Imports	India's Share	%age	Export	India's Share	%age	Total Trade
*2011	17027	787	4.6	31865	4012	12.6	4799
2010	19691.77	890.96	4.5	11318	2638.31	23.3%	3529
2009	17778	1048	5.9	27537	2413	8.2	3461
2008	22312	1038	4.7	37563	950	2.5	1988
2007	15914	1036	6.5	24546	761	3.1	1797

Trade figures are inclusive of non-oil trade during January to September 2011 and oil & gas figures from January-December 2011/ Source: Omani Ministry of National Economy

d. Top five items exported from Oman to India: unit US Dollar thousand)

Product Code	Product label	Oman's exports to India			Oman's exports to world		
		Value in 2008	Value in 2009	Value in 2010	Value in 2008	Value in 2009	Value in 2010
'31	Fertilizers	401,030	381,651	434,881	413,554	494,442	711,42
'27	Mineral fuels, oils, distillation products, etc	207,630	26,386	124,421	29,217,638	19,546,234	25,347,342
'29	Organic chemicals	27,005	2 0,057	96,262	233,364	208,013	851,993
'76	Aluminium and articles thereof	5,422	54,323	53,761	131,349	683,512	560,847
'89	Ships, boats and other floating structures	0	451	45,099	48,806	250,478	146,677

- (Source: Public Authority for Investment promotion and Export Development)

e. Top five items imported by Oman from India: unit US Dollar thousand

Products		Oman's Imports from India			Oman's Imports from World		
Product code	Product label	Value in 2008	Value in 2009	Value in 2010	Value in 2008	Value in 2009	Value in 2010
27	Mineral fuels, oils, distillation products, etc	111,274	284,636	133,571	680,977	1,077,596	1,292,317
84	Machinery, nuclear reactors, boilers, etc	124,846	100,161	88,318	3,879,269	2,824,726	2,524,706
85	Electrical, electronic equipment	133,587	132,129	86,358	1,508,355	1,326,361	1,186,296
73	Articles of iron or steel	114,374	161,824	71,420	1,443,598	1,201,364	921,841
72	Iron and steel	46,731	25,427	38,896	1,134,412	477,119	540,170

- (Source: Public Authority for Investment promotion and Export Development)

Part-III - Sectoral development

Capital and Finance:

On March 2, Financial Services Corporation (Fincorp) launched the first private equity fund in Oman with an approved initial corpus of RO 20mn, which could eventually go up to RO 30mn. The fund will mainly focus on investing in medium-sized companies, industrial manufacturing, petrochemicals, infrastructure, healthcare, education, tourism and hospitality. Separately, on 10 April, United Securities launched an equity investment

fund titled 'United GCC Fund', to invest mainly in three sectors, banking, retail and petrochemical firms, in the gulf region. The fund is open for investment to all individual, institutions, Omani and non-Omani investors.

Information Technology and Communication:

- i. In the first week of April, Omantel signed a memorandum of understanding with UK-based Cable & Wireless Rostelcom (Russia) and Telecommunications Infrastructure Company (Iran) to develop a new high-capacity low-latency international telecommunication facility between Frankfurt and the Europe-India Gateway (EIG) cable landing station in Oman.
- ii. On first week of March, Mobile reseller Samatel became the third full fledged telecommunications operator in Oman after Nawras and Omantel. Samatel, which was launched as a mobile virtual network operator (MVNO) in August 2010, expects to launch its new operations in the fourth quarter of this year.
- iii. On November 15, Tata Communications, and Nawras, Oman's private communications provider, announced the launch of the Oman to India TGN-Gulf cable. The undersea cable will be used to instantaneously route voice and data traffic from Oman to Mumbai (India) and onwards to the rest of the world, via the Tata Global Network (TGN).

Oil & Gas:

Oil production rose from 288 million barrels in January-November 2010 to 295 million barrels during the corresponding period in 2011. China, Thailand, Japan, South Korea, Taiwan, Singapore and India were the main destinations for Omani oil exports. Gas production rose from 30,257 MNSCM in January-November in 2010 to 31,875 MNSCM during the same period in 2011.

Export of Crude Oil to Major Countries (Jan-November, 2011) / source: Ministry of National Economy, Oman

Country	Oil Export in million barrel
China	111
Thailand	20
Japan	25
Taiwan	8
South Korea	17
Singapore	8
India	31
Others	22
Total	243

- i. On June 12, Galfar Engineering and Contracting won a contract to build a pipeline that will link the refinery complex of Oman Oil Refineries and Petrochemical Industries (OmanOil RPI) with the methanol scheme of Oman Methanol Company (OMC), both located adjoining each other at the Port of Sohar.
- ii. On October 8, Curtis, Mallet-Prevost and Colt & Mosle LLP were awarded a contract to advise Oman Power and Water Procurement Company (OPWP) on the development of a gas-fired Independent Power Project (IPP) in Musandam Governorate. The project, likely to be initially sized at 100 – 120 megawatts (MW) of power generation capacity, will replace diesel-based generation.
- iii. On October 23, in a recent interview with the Energy Exchange, Dr Jonathan Evans, BP's General Manager for Oman, stated that BP believed that there might be as much as 100 trillion cubic feet (tcf) of tight gas in place (as distinct from proven recoverable reserves) within its Block 61 concession in Oman. He further stated that BP would invest US\$ 15 billion in Oman. BP will submit the Field Development Plan to Oman's Ministry of Oil and Gas in 2012. Dr. Evans also expressed possibility of reaching a commercial agreement with the Omani Ministry for a 30-year production period from these fields. Currently, to conserve supplies for domestic use, Oman has cut exports of Liquefied Natural Gas (LNG) and is only fulfilling long-term contracts
- iv. On October 29, Al Hassan Engineering Company (AHEC) secured a multi-million dollar engineering, procurement and construction (EPC) contract from Petroleum Development Oman's (PDO) for Zauliyah gas compression project phase III. The scope of work for AHEC includes detailed design, procurement, construction, inspection and testing, erection and installation, site testing, pre-commissioning and handover to PDO of the new facilities for Zauliyah gas compression project phase III.
- v. On September 5, RAK Petroleum announced its plans to drill three more wells in the producing Bukha and West Bukha fields located within its Block 8 concession offshore Oman's Musandam Peninsula. The UAE headquartered RAK Petroleum operates Block 8, onshore Block 30 in central Oman onshore Block 31 in the far west of the country and Block 47.
- vi. On September 5, Circle Oil Plc was granted an extension to the exploration period for its onshore Block 49 in south Oman. The concession agreement includes the right of conversion to a production licence of 30 years in the event of commercial discoveries. Circle Oil Oman Ltd is the operator of Block 49 with a 100 per cent working interest. Circle has also initiated a farm-out process aimed at seeking partners for its Block 52 licence offshore in southern Oman.

vii. On September 13, Oman Oil Company said that the company was planning to award six oil contracts worth \$1.04 billion shortly. Six of the contracts will be awarded for exploration in Hasirah and Hoqah gas fields, in addition to vapour injection in Al Ghubar oil field. The company also stated that the discovery of Al Ghubar South oil field may be the most important one of its kind in 10 years as it would add another one billion barrels of reserve.

viii. On September 14, Switzerland-based Foster Wheeler AG announced that its Global Engineering and Construction Group, through a collaborative agreement with Honeywell's UOP, was awarded a contract by Oman Refineries and Petrochemicals Co (Orpic). Under the agreement, UOP/Foster Wheeler will provide a basic engineering design package for a solvent de-asphalting (SDA) unit at the Sohar Refinery in Oman. The SDA unit is a major part of the Sohar Refinery Expansion Project which will significantly increase the refinery's production of petroleum products such as LPG, naphtha, Jet A-1 fuel, gasoline, diesel and propylene. The SDA unit will be designed to process 2.5 million metric tonnes per annum of vacuum residue of Oman Export Blend crude to produce Deasphalted Oil (DAO) and asphalt for road bitumen production. The SDA Unit is expected to be on stream in 2015.

ix. Oman's oil production is set to see a major leap with the discovery of 26 new oil wells by PDO. The new discoveries include one at Amal in the east-southern part of the country, which is the biggest among the 26. Others include wells in Siah, Siah North, Ghubar East, Aqiq and Al Barouj North. According to the preliminary studies, the new wells can add around 93 million barrels of oil to the economy. The Sultanate produced 864,600 barrels of oil per day in 2010 as compared to 812,500 barrels in 2009. PDO also made three additional oil finds at Sayyah in the north, Al Ghubar East and Aqeeq in the central region.

x. In early July, Iranian news agency Fars reported that Oman had signed an initial contract for the export of Iranian gas to Oman. Significantly, there were no comments from Omani side. Earlier in March, the Oman Oil Company awarded a US\$ 480mn contract to the Hyundai Engineering Company of South Korea for the construction of a gas-processing plant in Musandam, in order to process hydrocarbons from Oman's West Bukha offshore field.

Industrial/ Manufacturing Sector:

i. On April 30, Vale Oman's Pelletising Plant and Distribution Centre at the Port of Sohar was formally inaugurated. Oman Oil represents the government's 30 per cent stake in Vale Oman Pelletising Company. The \$1.35 billion project will position Oman as a world class producer and distributor of iron-ore pellets, and will serve as a

distribution hub to cater to the growing demand for iron ore products in the Middle East, Asia, North Africa and Indian Sub Continent.

ii. On June 19, Aluminium Rolling Mill Company, owned by Takamul Investment Company, laid the foundation-stone for its facility in Sohar Industrial Estate. With the capacity of 140,000 tonnes of multipurpose rolled aluminium sheets, the project, which costs \$ 385 million, is the biggest added-value venture for aluminium in Oman.

iii. Takamul Investment Company (TIC) announced its plans to double the capacity of its Sulphur Bentonite Fertilizer project at Sohar to 60,000 tonnes per annum (tpa) by next year. Takamul is the majority shareholder (55%) in the joint venture which is developing the sulphur bentonite plant at Sohar Industrial Estate. Local Omani firm Awtad Projects and Development, which is the investment arm of Al Nahdha Group, has a 25% stake in the venture. The balance is held by US firm CoreSulphur which will provide the technology and know-how for the project.

Tourism

i. Muriya Tourism Development Company announced that the Company plans to invest about \$1 billion in the next five years in different tourism development projects, which will be implemented in the Governorates of Muscat and Dhofar. City Walk project in the Governorate of Muscat, Jabal Sifah, the Marina Town Project Salalah Beach project, A'Sodah Island in the Governorate of Dhofar are the major projects in the various stages of progress. Muriya Tourism Development Company is a joint venture between Omran, a state owned company (30 per cent) and Egypt's Orascom Hotels and Development (70 per cent).

ii. The Saudi based Aljoaib Holding announced its plan to establish a Medical City in Salalah with an investment estimated at \$1 billion. The project will be promoted by the Apex Medical Group (AMG) and it would house the region's first multispecialty organ transplant and rehabilitation centre. The project with the support of Omani Ministry of Tourism and Ministry of Health will be integrated with a 530-bed multispecialty hospital and a state-of-the-art diagnostic centre, healthcare resort and healthcare educational complex. In addition, The Medical City will also have a Healthcare and Education Complex, Healthcare Resort with Upscale Hotel, Wellness & CAM Center, and several other support services establishments.

Mining and Minerals:

i. German environmental engineering and consulting firm Brenk Systemplanung won a contract to evaluate Oman's mining and mineral sector to undertake a

comprehensive review of the country's mining industry and to advise to the ministry of Commerce & Industry for regularization and commercialization of Oman's mineral wealth. According to statistics compiled by the Central Bank of Oman (CBO), exports of mineral products surged 52.8% to RO 612.7 million in 2010, up from RO 400.9 million in 2009. Earnings from mineral exports also increased from RO 216.1 million in 2006 to RO 623.8 million in 2008. Limestone production jumped 30.9% last year to 3.89 million metric tonnes (mt), up from 2.353 million mt in 2009. Gypsum output climbed 55.6% to 396,000 mt in 2010, from 253,100 mt during 2009. The output of other key mineral products during 2010 was as follows: marble (507,738 mt), salt (12,275 mt), chromite (801,856 mt), laterite (334,769 mt), clay (155,584 mt), quartz (170,498 mt), and copper concentrate (79,472 mt).

ii. Early in the month, Oman's biggest private mining firm, Mawarid Mining Company, a subsidiary of MB Holdings Company LLC, announced its plans to acquire a stake in Canadian miner Nautilus Minerals, which has initiated development of the world's first seafloor copper-gold project in the south-western Pacific.

Infrastructure Development

i. On October 26, according to research firm Ventures, the expenditure on building construction in Oman is expected to reach more than \$27 billion by 2014. According to the report, mixed use, airports and hotel building are the three most active sectors over the next three years in Oman, with mixed use accounting for more than 30 per cent of total budgets. The report further says that following a difficult Q2 of 2011, significant infrastructure projects boosted the industry and the upcoming years were expected to see a steady growth.

ii. On October 24, Al Majal Environmental and Technical Services, an Omani consultancy company, was awarded a project to provide advisory services for the Integrated Solid Waste Management System in Duqm. The client was Oman Environmental Services Holding Company (OESHCo), an agency responsible for implementing Government policy on waste matters. OESHCo has planned the development of an integrated waste management solution to anticipate the burgeoning industrial and economic activities in the area (Duqm).

iii. Strabag Oman won a RO81-million contract to build access roads to Duqm port and dry dock and divert some of the wadis. The scope of work include construction of more than 30 kms of road, work related to diverting wadis and associated infrastructure development.

iv. Habtoor Leighton Group (HLG), a leading diversified international contractor in the Middle East and North Africa, was awarded a contract by the Ministry of Transport and Communications (MOTC) for the dualisation of a section of the Bidbid-Sur highway at a cost of RO 117 million (\$300 million). Turkey's Sezai Turkes-Feyzi Akkaya (STFA) is another consortium partner in this project.

v. On April 24, Oman, Qatar, Iran, Turkmenistan and Uzbekistan signed an agreement to open an international transport and transit corridor. The agreement aims at setting up a transit and transport corridor for goods and passengers between the Central Asian states and the ports of Iran and Sea of Oman. Unified regulations would be framed for the transit service providers in the region.

vi. On October 2, Galfar Engineering and Contracting SAOG was awarded a contract for the dualisation of the 45-kilometre Izz-Adam road at a cost of RO 51 million. On October 18, MOTC awarded a RO 14.3 million road project to link Al Murry and Al Ain villages in the Wilayat of Yanqul in Al Dhahira region to Khalid bin Ahmed and Sons (KAS).

Power & Water

i. On August 6, Dhofar Power Company (DPC) signed six agreements worth RO 31.9 million with six companies for expanding Salalah electricity network infrastructure. The projects will contribute to evacuate the generated power received from a new power plant estimated at 445 MW.

ii. On February 13, Chairman of Public Authority for Electricity and Water (PAEW) Mohammed Al Mahrouqi stated that PAEW is in the process of appointing Japan International Cooperation Agency (JICA) for developing a master plan to achieve energy efficiency and conservation in Oman. Towards this, PAEW has identified two suitable sites (Adam and Manah) for locating Oman's first large-scale grid-connected solar power project with a capacity ranging from 100 mw to 200 mw and for which a tender is to be floated within six months. Further, the Government has approved the setting up of six pilot projects -wind and solar - in the country's rural areas. A Mumbai-based Astonfield Renewable Resources has been selected to help the Government in its pilot solar energy initiative.

iii. On October 5, the RO 11 million Voltamp Power Transformer Factory, a 100% subsidiary of Voltamp Energy, was inaugurated in Sohar. The green field power transformers factory has received the first orders from Oman Electricity and Transmission Company for supply of four units of 125mVA each transformers. Tatung Company of Taiwan is the technology providers for Voltamp.

Part- IV Commercial Relations with Other countries

UAE: On January 5, Qurum Business Group (QBG) and UAE based NSCC International have signed a \$5 million joint venture to create a piling and foundation engineering company in Oman. On 19 April, Oman Oil Co. (OOC) and the International Petroleum Investment Co. (IPIC) owned by Abu Dhabi government signed a cooperation agreement for financing investment in oil, gas and petrochemicals projects

Qatar: On October 9, Al Batna Quarries LLC, a subsidiary company of Al Batinah Development and Investment Holding Company SAOG, signed a sales agreement with Qatar Primary Materials Company in Qatar to export one million MT of gabbro aggregates. On 12 September, an executive programme for bilateral recognition of precious metals and co-operation between Oman and Qatar in hallmarking, measurement and monitoring activities was inked in Muscat.

Brunei Darussalam: On October 9, Omani IT products and services company Bahwan CyberTek (51%) and Brunei telecommunications major Telekom Brunei (49%) signed a joint venture to set up a contact centre in Brunei Darussalam.

Turkey: On February 15, Oman awarded a road construction contract worth RO125.23 million to Turkish engineering firm Ozkar Insaat. The tender for the second phase of the same road is under process, which is also in the same range.

USA: On August 6, US-based international energy firm PetroTel was awarded a licence to explore for hydrocarbons in Block 40 offshore Musandam Governorate in the north of the Sultanate. On August 13, Harvest Oman BV announced its plans to commence exploratory drilling on its Block 64 concession in central Oman before the end of this year. On October 16, US-based international architectural firm Skidmore, Owings & Merrill (SOM), in partnership with Ghafari Associates, was selected to master-plan the development of a new city at Duqm on the Wusta coast.

UK: On February 23, HM Sultan Qaboos bin Said gave audience to British Prime Minister David Cameron and regional and international developments including bilateral relation between the two countries were reviewed. Omani Minister of Higher Education Dr. Rawiyah bint Saud al Busaidiyah signed an agreement with the University of Cambridge formally establishing the Sultan Qaboos Professorship for Abrahamic Faiths and Shared Values at the University of Cambridge.

China:

i. On March 19, Oman Cement Company (OCC) signed agreement with CNBM International Engineers and Sino Environment Engineering Development Company of

china for modernize its clinker unit and pollution control equipment to raise capacity and reduce emission with a total capital expenditure of \$37.57 million.

ii. On September 11, His Majesty Sultan Qaboos Bin Said Al Said gave an audience to Chang Qow Lee, Member of the Political Bureau of the Central Committee of the Chinese Communist Party and Secretary of the Party Committee of Tianjin City and reviewed aspects of co-operation between Oman and China. Chang Qow Lee affirmed that Oman was an important economic partner for his country as the volume of trade exchange between the two countries touched US \$ 10.7 billion in 2010.

France: On January 12, the Public Authority for Electricity and Water (PAEW) and Veolia Water of France signed a management agreement worth RO 16.8 million. The five-year contract aims at establishing a management partnership between the PAEW and Veolia Water.

Japan:

i. On February 26, former Japanese Environment Minister and Director-General of the Global Environmental Action Wakako Hironaka had a meeting with Undersecretary Dr Abdullah bin Mohammed al Sarmi in Omani Ministry of Higher Education and discussed the advances made by Oman in the field of higher education.

ii. On July 16, a multinational consortium led by Japanese conglomerates Marubeni Corporation (50%), Chubu Electric (30%), Qatar Electricity and Water Company of the State of Qatar(15%) and Multitech (5%) of the Sultanate of Oman, won the license to develop the Sultanate's biggest 2,000 megawatts Independent Power Project (IPP) at Sur with an investment of around \$1.6 billion. Implementation timeframe which requires early power, equivalent to around 400 MW of capacity, to be brought on stream ahead of the summer of 2013.

Singapore: On May 1, OCCI hosted the 2nd meeting of Omani-Singapore Business Council in Muscat. During the meeting, it was decided that both side will cooperate in the construction of a power and water desalination plant worth US\$ 1 billion in Oman.

Vietnam: Omani Minister of Commerce and Industry Maqbool bin Ali bin Sultan led a delegation to the 2-day meetings of the Oman-Vietnam Joint Committee on 10 & 11 January in Hanoi. During the visit, an agreement was signed for encouragement and mutual protection of joint investments in both countries.

South Korea:

i. On May 7, Golden Dunes International LLC, founders of Gulf International Pipe Industry LLC, signed a MoU with a renowned Korean Energy solutions provider (Kwan

Won) to establish cutting edge Sohar Energy Solutions in Oman. Pursuant to the MoU, the solar project in Oman will be scaled up over a multi-year period.

ii. In late May, South Korea's Daewoo Engineering and Construction announced that it won a contract valued at \$1.2 billion to build a huge gas-fired Independent Power Project (IPP) in Sur in the Shariyah region. The contract awarded by Phoenix Power Company, which last month signed a landmark agreement with the government-owned Oman Power and Water Procurement Company (OPWP) to develop a 2,000 MW green-field power plant in Sur at an estimated cost of \$ 1.5 billion.

iii. Omani Ministry of Commerce and Industry organized a business delegation from Oman under 'Business Umbrella Program 2011' to visit South Korean companies and establishments including the Samsung Electronics Company Exhibition Center and the Korean Industries complex which prepares the integrated industrial areas for the SMEs.

Thailand: Oman Air has joined with Piyavate Hospital, one of Bangkok's leading healthcare centres, to offer its customers a 50% discount on the regular cost of hospital check-up programmes and 20% discount against any advanced treatment.

South Africa: South African President Dr. Jacob Zuma visited Oman from November 14-16, 2011. The President was accompanied by four Cabinet Ministers of Defence, Trade & Industry, Tourism and Foreign Affairs and a 50-member strong business contingent. The formation of US\$ 500 million Joint Investment Fund between South Africa and Oman on the lines of India-Oman Joint Investment Fund was reportedly one of the agenda items discussed by South African President. The President visited the Port of Sohar, during which an agreement was signed between a consortium of leading South African and Omani companies to set up a food hub in the logistics park of the Free-zone Sohar. The project cost - Phase 1 is approximately RO 7 million (US \$18 million).

Australia: On 6 March, Telecommunications Regulatory Authority (TRA) awarded the AusRegistry International a leading provider of Domain Name Registry Services, a contract to provide Domain Name Registry Software and supporting services for the establishment of a new Domain Name Registry System.

Canada: On 10th August, Oman signed an Exploration and Production Sharing Agreement (EPSA) with Canadian-based international oil firm, Allied Petroleum Exploration Inc (APEX), for the development of Block 36 in Dhofar Governorate.

Germany:

i. Minister of Health Dr. Philip Roesler and his delegation paid a three-day visit to the Sultanate from 25-27 January. During the visit, an MOU was signed in Health

Cooperation including researches, emergency medicine, health security and health investment projects.

ii. On 26 October, Public Authority for Investment Promotion and Export Development, (PAIPED) received a Lower Saxony delegation. The 20-plus strong high-profile German delegation was led by Dr Oliver Liersch, Lower- Saxony's Secretary of State in the Ministry of Economy, Labour and Transportation, comprised of senior public and private sector representatives.

Holland: On July 9, Dutch- based international firm Vanderlande industries won a RO 27.650 million contract to provide high-tech baggage handling systems for Muscat and Salalah international airports.

Finland: On March 13, Vaisala Oyj won a contract to supply high-tech weather observation systems for installation at six airports under various stages of development and modernization across the Sultanate and also the observation systems which will be integrated with a major Air Traffic Management System being developed by Spain's Indra Sistemas.

Spain: On July 20, Global logistics leader Algeposa Group and Port of Salalah signed a memorandum of understanding (MoU) to build and operate a \$14 million distribution centre.

GCC: On 10 March, the Gulf Cooperation Council (GCC) announced to set up a fund worth about US\$ 20bn, to help Oman and Bahrain as both the countries were facing anti-government protests inspired by uprisings across the Arab world.

Part v: Bilateral

1. An Omani business delegation led by (former) Omani Commerce & Industry Minister Maqbool bin Ali bin Sultan participated as a focused country in the CII-sponsored Partnership Summit under the title 'New Partnerships for Economic Resurgence' held in Mumbai from 24-25 January 2010. The former Minister also met his counterpart Shri Anand Sharma.

2. In May 2011, Bharat Oman Refinery, the US\$ 2.4bn oil refinery in Bina, Madhya Pradesh was commissioned. The company is a joint venture between India's Bharat Petroleum Corporation and the Oman Oil Company. The Bharat Oman Refinery was incorporated in early 1994, and a decision was made to locate the refinery at Bina in 1995. Oman Oil Company has 26% equity share of the refinery. Jindal Shadeed Iron & Steel LLC, a private sector plant also started its commercial operations in January 2011. Jindal Group of India acquired the existing plant in 2010 for US \$ 464 million.

3. The Economic Times, an Indian daily newspaper, reported in late May that the Oman Investment Fund had agreed to buy a 5% stake in NCDEX from India's National Stock Exchange.

4. PAIPED, which was formerly the Omani Centre for Investment Promotion and Exports Development (OCIPED), is stepping up its efforts to increase exports of non-oil products to India, which it has identified as a target market. A delegation of 15 Omani businessmen travelled to New Delhi in mid-May to meet over 100 potential customers, the second such visit this year. Packaging film, polypropylene, plastic pipes, edible oil and marble were among over 20 Omani export products for which the total Indian market has been estimated at nearly OR10 bn (US\$ 26bn). Oman is pursuing a long-term policy of economic diversification.

5. On August 23, Reliance Industries Ltd. (RIL)'s wholly owned Dubai based subsidiary Reliance Exploration and production DMCC withdrew from offshore oil exploration block 18, following an exploratory drilling campaign that failed to unearth any significant prospects. The move comes six years after Reliance invested in Sohar basin in June 2005.

5. Indian companies have strengthened their presence in Oman with securing prestigious contracts. Among major contracts won by India Inc. are as follows:

- Punj Lloyds Group won a \$72 million contract for building a new water treatment plant for Occidental Mukhazna, (January 2011)
- Mahindra Satyam signed deal with Omran, a government undertaking, to deliver major projects and manage tourism assets and investments in Oman to implement Oracle ERP towards standardization and automation across its departments. Bahwan IT is the local partner of Omran for this project. (March 2011)
- Larsen & Toubro (L&T) won a contract valued at around \$150 million for the establishment of a gas processing facility for Petroleum Development Oman (PDO) at Lekhwair gas fields. (September 2011)
- Ministry of Agriculture & Fisheries is expected to award a contract related to the construction work on a modern fishery harbour project at Barka on the Batinah coast which is expected to commence in the first half of 2012. Well-known India-headquartered international consultancy firm Consulting Engineering Services (CES) is overseeing the design and construction supervision of the Barka Fishery Harbour project. CES has been involved in the design and development of a

significant number of the roughly 17 fishery harbours currently in operation along the Omani coast.

6. New developments in two- way investments are as follows:

- Mitsubishi Heavy Industries (MHI) announced in September 2011 that MHI and Suhail Bahwan Group (SBG) of Oman established a joint venture (JV) engineering company to participate in India's industrial and infrastructure projects. The new company, MHI Engineering and Industrial Projects India Private Limited (MEIP), has been set up with initial capital of US\$ 20 million.
- Indsil Group along with its joint venture partner Muscat Overseas Group signed a deal with Sohar Industrial Development Company to set up four ferrochrome smelters with initial investment of US\$ 30 million. (September)
- In September, Sohar Industrial Port Company signed an agreement with Indian steel casings manufacturer Dunes Industries. The latter will set up a \$8 million steel foundry at the freezone Sohar in Oman to cater to the growing West Asian market.
- On March 6, Mahindra Satyam, a leading global consulting and IT services provider, signed deal with Omran, a government undertaking to deliver major projects and manage tourism assets and investments in Oman, to implement Oracle ERP towards standardization and automation across its departments. Bahwan IT is the local partner of Omran for this project.
- On March 9, Oman and UAE-based Dodsal Group announced the acquisition of Chennai based AE&E I.D.E.A India Pvt. Ltd.
- Khimji Ramdas Shipping, which has set up a JV in partnership with India-based Ocean Sparkle called Khimji Sparke LLC, was awarded a long-term contract to provide tugboat services to support the operations of the world-scale ship repair facility of the State-owned Oman Dry-dock Company (ODC) which owns and manages the Duqm ship repair facility.
- On September 13, Geojit BNP Paribas Financial Services, a leading Indian broking firm, formed a joint venture with Qurum Business Group (QBG) and National Securities Company in Oman to target non-resident Indians (NRIs) for investments in Indian markets.
- India's budget airline IndiGo started operations on the Muscat-Mumbai route from October 10. The airline will fly four times a week.
- During the month, the Shipping Corporation of India (SCI), India's biggest shipping line, commenced operations from the Port of Salalah. Commenting on SCI's Salalah operations, Peter Ford, Chief Executive Officer of Port of Salalah, said that SCI was a valued customer that connected us to a massive Indian market.

- Tata Group firm Voltas increased its stake to 60% in 'Lalvol', a joint venture between the Indian company and Lalbuksh Contracting and Trading Establishment. Voltas bought 11% stake in the joint venture firm for around US\$ 1.4 million.

8. Delegations from Oman:

- During October 17-22, Oman, represented by the Transport and Communications Ministry participated in the 4th conference of the International Civil Aviation Organization (ICAO) for air services negotiations, which was held in Mumbai. The Omani delegation was led by Said bin Ali bin Nafal al Mas'hali, Under-Secretary for Civil Aviation Affairs. The delegation comprised of officials of Air Transport Department at the Civil Aviation Affairs, Oman Air and Oman Airports Management Company (OAMC).
- Oman Drydock Company participated in "INMEX India" exhibition, a specialized exhibition in shipbuilding and ship repair and dry dock operation which was organised by Informa Group in Mumbai from 29 September- 1 October.
- On October 20, a 15-member Omani business delegation visited Mumbai to participate in Mumbai matchmaking sessions and met their Indian counterparts.

9. Delegations from India

- A week-long handicrafts exhibition was opened at Lulu Hypermarket in Muscat from January 27 in which a ten-member group of artisans from India, sponsored by the Office of Development Commissioner (Handicrafts), Ministry of Textiles, New Delhi, displayed their skills.
- On September 20, 4th INDEXPO Muscat 2011, an exclusive three-day (20-22 September) Indian trade fair, was inaugurated by Sheikh Abdullah Bin Nasser Al Bakri, Minister of Manpower at the Oman International Exhibition Center. The trade fair was organised by M/s Silver Star International LLC in association with Oman Chamber of Commerce & Industries. 84 companies representing Indian Small & Medium scale enterprises. Agricultural Products Food Export Development Authority (APEDA), All India Association of Industries (AIAI), Associated Chambers of Commerce and Industry (ASSOCHAM), Basic Chemicals Pharmaceuticals and Cosmetics Export Promotion Council (CHEMEXCIL), Coconut Development Board, Coir Board, Educational Consultant India Limited (EdCIL), Exports Promotion Council for EOUs & SEZs, Exports Promotion Council for Handicrafts, Indo-Arab Chamber of Commerce and Industries, Khadi and Village Industries Commission, PHD Chamber of Commerce and Industry, Project Exports Promotion Council of India, The

Handicrafts & Handlooms Exports Corporation of India Ltd. are among the major participants in the exhibition.

- India Tourism Office Dubai participated in 'Medhealth & Wellness Expo' to showcase Indian medical tourism at the Oman's premier healthcare exhibition at the Oman International Exhibition Center from 27-29 September, 2011.
- On September 21, OCCI organised a seminar on investment opportunities in India and Oman at the chamber premises for the visiting FICCI business delegation. The seminar was followed by B2B meetings. Separately on 31st October, a FICCI led medical tourism delegation comprising of 12 leading Indian Hospitals and officials from Department of Ayush, Ministry of Health organised a seminar on "India Medical Tourism Destination" followed by B2B meetings at Oman Chamber of Commerce & Industries' premises in Muscat.
- The two-day India Education Exhibition 2011 held in Muscat from January 18-19 and several educational institutions named KIIT University Bhubaneswar, Jain International Residential School, Dawn International School based in Kochi, Kerala, and Vishwashanti Gurukul are participated from India. Other educational institutions which participated in the exhibition include Sona College of Technology, Tamil Nadu, MVJ College of Engineering, Bangalore, Rajalakshmi Engineering College, Chennai, Tamil Nadu, Datta Meghe Institute of Medical Sciences and Yeshwantrao Chavan College of Engineering in Nagpur and Vishwakarma Institutes, Pune, Maharashtra.
- On January 19 2011, OCCI in cooperation with the IOR-ARC organized a seminar on the service trade. Omani Ministry of Fisheries and Wealth in association with the Foreign Ministry (IOR-ARC - Economic Affairs Department) jointly hosted a training workshop on marine biology and evaluation of fisheries stock at the Marine Science and Fisheries Centre in Muscat. Mr. Akhilesh Mishra, Joint Secretary (MER) visited Muscat from January 16-18 with an aim to seek inputs from Oman on the revitalization of the IOR-ARC organization. During the visit, JS (MER) met with HE Talib Meeran Al Raisi, Chief of Economic Affairs Department in Oman's Foreign Ministry and other focal points of IOR-ARC team in Oman.

This issues with the approval of Ambassador.

(Bramha Kumar)
Second Secretary (E&C)