

OMAN

Oman invites Japanese investment for mutual gain

Mohammed Saud Bahwan, chairman of the Oman Japan Friendship Association, sheds light on Japan's long and successful relationship with Oman and areas in which mutual cooperation can benefit all parties and further strengthen ties

What is your assessment of relations between Oman and Japan?

The Sultanate of Oman and Japan share a deep-rooted relationship that dates back hundreds of years. These remarkable bonds have been created through timeless shared values. Oman is home to a rich history and cultural heritage that spans many centuries. Oman has made its mark as one of the most stable, peaceful and progressive countries in the Middle East.

In the midst of the 21st century and under the wise leadership of His Majesty Sultan Haitham bin Tariq al Said, Oman is on the path toward rapid growth, with a firm focus on development, stability and good governance. Oman has also played a key role as a mediator in various simmering issues in the Middle East while remaining an oasis of peace.

The joint efforts of Oman and Japan have offered numerous avenues for mutual development in diverse fields. These include diplomacy, economics, investment, trade, culture, sports, arts and skills training for Omani nationals. Particularly, Japan has supported Oman in its role as a mediator on several issues. Adding momentum to this age-old friendship is the sultan's strong emphasis on strengthening these relations at the highest levels.



Oman is a logistics hub for the region.

What economic benefits do both nations gain through investment and trade?

Economic relations between the two countries have grown steadily in various sectors. Japan is one of Oman's largest trading partners. Imports from Japan for automobiles, trucks, machinery, iron, steel and electronics have witnessed a steady growth pattern.

As Oman continues its economic development, there will be increasing opportunities for imports of consumer and industrial goods. Likewise, Japan is one of the largest importers of oil and gas, gypsum and fishery products from Oman. Japanese companies have a presence in Oman through joint ventures in fields like oil and gas, infrastructure and various other industries.

What is the role of Japanese investment in advancing Oman Vision 2040 and the diversification of Oman's economy?

Oman is among the few countries in the world that is considered ideal for long-term business investments. It possesses modern infrastructure, a strong industrial base and a stable government. Most notably, the country has in place institutions that protect investors and ensure complete freedom in business operations.

Launched by the sultan, the ambitious Oman Vision 2040 maps out a blueprint that will pave the path to Oman's evolution into one of the most rapidly growing and diversified economies in the region. The government has already taken several initiatives, such as permitting 100% federal direct investment in priority sectors, single window and fast-tracked clearances for investment proposals and new friendly private-sector policies for mining in which Oman holds high potential.

Vision 2040 defines Oman's future direction with measurable performance indicators. For example, sectors outside the oil and gas industry are targeted to contribute over 90% of gross domestic product, up from 61% in 2017. Other parameters look to spur economic development and raise our global competitiveness, innovation and environmental performance

indexes. We want to develop our social sectors and increase employment opportunities for Omani nationals.

What sectors contain the most opportunities for Japanese investors?

Oman is advantageously located between the fast-growing Asian and African economies, making it ideal as a transshipment hub. Toward this end, the government has already made substantial investments in developing the port cities of Duqm and Salalah. Both allow free passage of marine traffic through the Strait of Hormuz. Japan is home to many global shipping lines. They could consider investing in Oman to create local logistics and transshipment hubs.

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beaches, breathtaking mountain ranges, historic forts and diverse aquatic life. Japanese investments in this sector would be greatly welcomed and the players involved would find it highly rewarding.

What is the Oman Japan Friendship Association doing to promote cooperation between the two markets?

Japan is very close to me. I have been involved with the country in one way or another for many years. The relationship between Oman and Japan has been incredibly fruitful and is characterized by depth, reliability and trust. It is about much more than economics and trade; it is a strong and special relationship. It is a great privilege and honor

for me to be entrusted with the responsibility of nurturing this relationship as the chairman of the OJFA.

The OJFA has continued to improve relations between people of both nations in close cooperation with the Embassy of Japan in the Sultanate of Oman by planning and initiating cultural exchange programs that showcase the diverse, rich and absorbing culture of our countries.

In recent years, there has been an unprecedented rise in interest in Japan's rich history and culture from the people of Oman. Japan's reputation as a warm and welcoming nation takes this learning experience even further. Furthermore, it is encouraging to see the interest that the people of Japan have

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in Oman's culture and heritage, diverse natural beauty and the warm hospitality extended by our people.

Former Prime Minister of Japan Shinzo Abe initiated Japanese classes in Oman under the umbrella of the OJFA when we met in January 2014. Japanese-language teachers began conducting classes for those eager to learn.

The OJFA continues to plan and initiate programs that focus on the rich and diverse culture of the two nations. These initiatives include art and photography exhibitions that showcase landscapes, nature, tradition and culture. They also include book fairs, performing arts presentations and visits from geologists. In the years to come, the OJFA will continue to nurture this spirit of everlasting friendship.



OMAN JAPAN FRIENDSHIP ASSOCIATION



Imports from Japan have evolved through a steady pattern of growth.



Opportunities are growing for imports of Japanese industrial goods.



Joining hands and creating new opportunities

Oman is keen to build on a 50-year friendship with Japan to attract high-tech manufacturing projects and develop the country’s green economy

This year, Japan and Oman celebrate the 50th anniversary of the start of their diplomatic relationship, which built the foundations for an enduring friendship and growing trade. The two countries are also tied by a more personal bond, going back to 1932 when the grandfather of Oman’s Sultan Haitham bin Tariq al Said married a Japanese woman, Kiyoko Oyama. “The Omani royal family is intrinsically linked to Japan,” noted Minister of Commerce, Industry and Investment Promotion Qais bin Mohammed al Yousef.

According to former Japanese Ambassador Toshinori Kobayashi: “Our economic partnership started through the trade of crude oil, making Japan one of the oldest buyers of Oman’s crude. Our trading relationship expanded throughout the 20th century, with Japan importing oil and more recently liquefied natural gas, and exporting automobiles, electric appliances and other products. The trade volume between the two nations has increased over time to the current level of about \$5 billion a year.”

Japan is Oman’s sixth-largest trade partner, representing 4.24% of its total exchanges, according to the latest data from the Observatory of Economic Complexity. Even though China is by far Oman’s most important trading partner, with a whopping 45.1% of its exchanges in 2020, Japan is an important second-tier partner, along with South

Korea, Saudi Arabia and the United Arab Emirates. Oman’s major exports to Japan are petroleum gas and crude petroleum, while cars, delivery trucks and vehicle parts account for around 70% of its Japanese imports at the moment.

Boosting nonoil sectors

In early 2021, Oman launched an ambitious program to strengthen and diversify its economy: Vision 2040. The four main goals of the program are to foster a society of creative individuals who enjoy sustained well-being; build a competitive, productive and diversified economy based on innovation and driven by the private sector; ensure a safe and well-preserved environment, with effective, balanced ecosystems and renewable resources; and, lastly, to consolidate responsible state agencies with comprehensive governance, effective oversight, a swift justice system and efficient performance.

As part of its Vision 2040 program, Oman is keen to build on its partnership with Japan in order to boost its nonoil sectors. According to Oman’s Ministry of Industry, Information and Communications Technology, the areas earmarked for growth are agriculture, education, health care, manufacturing, tourism, logistics, mining and fisheries. If the program is successful, Oman’s manufacturing sector would account for around 15% of



Qais bin Mohammed al Yousef
Minister of Commerce, Industry and Investment Promotion

its gross domestic product by 2040, having contributed just under 8% in 2020, according to the World Bank. “We aim to attract high-tech manufacturing projects and we want to change our manufacturing from being labor-intensive to being capital-intensive. For this, we require the support of our friends in Japan to learn about new technologies, especially technologies related to the Fourth Industrial Revolution. Hopefully, we can join hands and create opportunities,” al Yousef said.

Oman has already laid the groundwork for these opportunities. “We have built substantial hard and soft infrastructure over the past 60 years,” he asserted. Among its main “hard” infrastructure



Salim bin Nasser al Aufi
Undersecretary, Ministry of Energy and Minerals

assets, al Yousef cites the international airports and ports of Sohar, Duqm and Salalah, as well as Madayn, the public body for industrial estates that was set up in 1993 as the government’s arm for attracting projects and investment in manufacturing. Today, Madayn manages and operates 10 industrial cities around the country, as well as Knowledge Oasis Muscat and the Al Mazunah Free Zone. Regarding Oman’s “soft” infrastructure, the minister highlights its secure and investor-friendly legal and regulatory framework.

Furthermore, an economic stimulus plan launched by the government in March 2021 focuses, among other things, on improving the

business environment through a seven-year protection of foreign investments and the granting of immediate operation and trade licenses for about 88% of economic activities, making it a particularly attractive location to set up a business.

The Japanese government recognizes two main areas of opportunity in Oman’s Vision 2040, noted Kobayashi: the promotion of business and investment in nonoil industries, and the diversification of energy. Regarding nonoil sectors, Japan sees opportunities in agricultural products from kidney beans to date palm and frankincense, as well as fisheries and tourism.

In terms of energy, there is clear potential for Japanese companies in hydrogen production, an area in which Japan is a front-runner. The possibility of partnerships in this area was discussed at a ministerial level during a visit of Oman’s minister of energy and minerals to Japan in 2019.

Aiming at net-zero

The oil sector has been the main driver of Oman’s economy since the late 1960s, representing about 70% of the government’s revenues and about 30% of the country’s GDP in recent years.

Commenting on the Vision 2040 program, Oman’s Ministry of Energy and Minerals Undersecretary Salim bin Nasser al Aufi said, “My ministry needs to play a major role in achieving the vision, but our role will be channeled toward becoming an enabler and it will be a supporting role as opposed to a leading one.” As al Aufi pointed out, “There is a strong drive toward increasing the share of renewables in our energy sector and the general consensus is that they should reach about 30% of our energy mix by 2030.”

Japan can help Oman to achieve this goal, as the Asian nation continues to innovate in order to advance its own ambitious program to reach net-zero for carbon by 2050 and to reduce its carbon emissions by 46% by 2030, stated al Yousef: “Japan’s approach to achieving net-zero emissions is very much in line with the Omani government’s attitude.

‘Oman provides an ideal location both in terms of logistics and added value.’

Toshinori Kobayashi
Former Ambassador of Japan to Oman

Although we are a developing country with a focus on manufacturing, sustainability remains a focal point for us. We cannot protect ourselves unless we focus on the environment as an important element of our growth.”

Japan’s government sees yet another substantial asset in Oman: its strategic location on the Arabian Peninsula, halfway between Asia and Africa. “With a population of about 4.5 million, Oman doesn’t have a large domestic market, but it does present opportunities because of its location between two hugely developing markets,” Kobayashi revealed. “Oman is located at the center of a gigantic economy. When Japanese companies consider their business models and the value chain in this vast economic zone, they should recognize that Oman provides an ideal location both in terms of logistics and added value. It definitely has a lot of potential,” he concluded.

The Middle East’s new logistics heavyweight

Anchored by world-class shipping and dry-dock services, Asyad Group is driving Oman’s logistics sector

Oman is strategically positioned on one of the world’s primary maritime routes that provides a vital passageway for oil and gas tankers, as well as nonoil trade. As part of its economic diversification strategy, Oman has sought to capitalize on its exceptional location by investing heavily in its logistics sector in recent years.

At the forefront of this investment is Asyad Group, a \$4 billion enterprise backed by \$20 billion in government infrastructure spending that is already the fourth-biggest logistics company in the Middle East and North Africa, according to Forbes. “In line with the country’s 2040 Vision development plan and using Singapore as our example, Oman is striving to become a top 10 global logistics hub. As the logistics arm of the government, Asyad Group is playing a key part in this effort,” said Ibrahim al Nadhairi, CEO of Asyad Shipping and Asyad Drydock, two integrated units in the group’s portfolio, which also includes ports, economic free zones and logistics services.

Together, Asyad Shipping and Asyad Drydock provide global clients with a full range of efficient and competitive maritime services. Asyad Shipping owns a highly diversified fleet that currently consists of over 60 vessels, which are supported by a sea transport network that connects Oman to 86 commercial ports around the world. This unit is growing rapidly, revealed al Nadhairi: “Within the



Ibrahim al Nadhairi
CEO, Asyad Shipping and Asyad Drydock

‘We have allocated a large amount of our budget to cutting-edge technologies.’

Ibrahim al Nadhairi, CEO
Asyad Shipping and Asyad Drydock



Asyad Shipping is one of the world’s fastest-growing national shipping lines.

last two years, we have expanded our chartering services and bought three additional very large crude carriers, seven bulk carriers and a Panamax container vessel. On top of this, we have recently gained approval for an ambitious five-year plan that will add about 35 more ships to our owned fleet.”

Asyad Drydock, on the other hand, operates one of the Middle East’s largest dry-dock facilities, which is located at the Port of Duqm in the southeast of the country. “Our world-class shipyard is only around 10 years old and it has great potential. As well as standard ship repair services, it is also experienced at undertaking complex projects, including ship conversions, scrubber and water-treatment installations, plus other upgrades. We have also started moving into shipbuilding and

recently delivered our first steel-hulled multipurpose boat, which was designed and built by Asyad Drydock,” al Nadhairi noted.

The CEO stressed the importance of its partnerships with Japan to the ongoing development of the group. “Asyad Shipping started as a joint idea between the government of Oman and Mitsui OSK Lines (MOL), among others, while the first six ships in our fleet were joint ventures between Oman and Japanese companies, including MOL, NYK Line, Mitsubishi Corp. and Itochu Corp. We also have a good relationship with Japanese banks, which finance many of our projects, and with Japanese insurance companies,” he stated.

An equally important area of cooperation is technology, he added: “We have been using Japanese technology in our ships for many years and will carry on using it. Japan is known for the quality of its technology and that is extremely important to us, as we will not be able to compete or continue to be efficient without investing in first-rate technology. Asyad Drydock and Asyad Shipping are also investing in automating some of our services using technologies related to artificial intelligence, the Internet of Things and big data. We have allocated a large amount of our budget to cutting-edge technologies and believe that Japanese companies will have a major stake in this.”

Flying lean and green

Oman Airports Management Company is lowering the carbon footprint of the country’s air transport network

Few industries have been hit as hard as air travel by the COVID-19 pandemic. As countries around the world gradually reopen, Oman Airports Management Company (OAMC), the public company that manages the country’s four civil airports at Muscat, Salalah, Duqm and Sohar — as well as three regional airports catering to the oil sector — is busy getting back into gear.

“Like most other economies around the world, the Omani economy has gone through difficult times, as demand and purchasing power were impacted by the pandemic. Our role as airport managers is not to drive economic growth or generate traffic, but rather to be the enablers of the recovery,” explained Sheikh Aimen bin Ahmed al Hosni, CEO of OAMC.

The company is set to play a key role in the diversification of the economy envisaged under Oman’s Vision 2040 development plan, primarily through its contribution to the logistics sector and tourism. al Hosni is optimistic both will recover promptly. “The measures taken in the years preceding COVID-19 have contributed to reviving our logistics sector during and after the pandemic. As for tourism, it remains one of Oman’s most promising sectors because of our exceptional location and facilities,” he said.

The new Muscat Airport City

Among recent developments in the area of logistics, al Hosni cites the launch of the Logistics Gate initiative, one of five economic clusters envisioned as part of the ambitious Muscat Airport City project. First unveiled in 2019, Muscat Airport City will cover a total area of 350 hectares. As well as the Logistics Gate, the integrated clusters will include a free zone gate, a business gate, an aviation gate and a hospitality gate. A similar airport city project is also planned at Salalah International Airport. Already, the logistics giant DHL is set to build a hub in the Logistics Gate under a contract signed in 2020. “The future is really huge for the cargo market,” noted al Hosni.



Sheikh Aimen bin Ahmed al Hosni
CEO, Oman Airports Management Company

Regarding tourism, OAMC seeks to add new routes and extra flights, and launched new services with Swiss Edelweiss, Air France, Wizz Air and Fly Dubai in 2021. Prior to the pandemic, in 2019 Muscat International Airport handled almost 16 million passengers, up from 12 million three years earlier. France in particular is seen as a key market, with 68,000 visitors in 2019. The new Air France flights will also open up new opportunities for passengers from Oman to connect to destinations served by the airline’s SkyTeam partners.

According to the CEO, another vital element of OAMC’s strategy is to “enable a low-carbon airport operation by reducing carbon emissions, preserving resources and promoting green alternatives.” In line with the global aviation industry, OAMC has the goal of being net-zero for carbon emissions by 2050. The company has a comprehensive five-year plan in place to help it achieve this, which targets up to 30% of its energy needs coming from solar power within the next three years and a 30% reduction in its overall carbon footprint by 2026.

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The logistics gateway to MENA offers globally competitive shipping and dry-dock services

Asyad Group’s fully integrated, end-to-end services across ports, free zones, shipping and dry-docking have cemented Oman’s position as a regional logistics hub.

Through Asyad Drydock and Asyad Shipping, the group operates one of the largest, most efficient drydocks in the Middle East and a highly diversified fleet of over 60 vessels, which are supported by an extensive sea transport network that connects Oman to key ports across the globe.



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