

WEEK OF DECEMBER 24, 2001

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BACKGROUND ON THE NEWS: GCC SUMMIT HOST -- OMAN

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EDITOR'S NOTE

The leaders of the Gulf Cooperation Council states are meeting in Oman on Sunday and Monday, December 30-31, 2001 for their regular summit session. On this occasion, GulfWire Perspectives is pleased to provide a report by GulfWire publisher, Dr. John Duke Anthony, on summit host, Oman.

Dr. Anthony is in Oman during the summit and will provide exclusive reports and analysis for GulfWire readers, as he has done in the past [see links below].

Patrick W. Ryan  
Editor-in-Chief, GulfWire

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OMAN

The Sultanate ended the year with HM Sultan Qaboos Bin Said, the ruler, being elected Chairman of the Gulf Cooperation Council (GCC)'s Supreme Council for 2002. The GCC, established in 1981, and committed to enhancing economic, defense, and political cooperation among its six state members, has become one of the world's most prominent sub-regional organizations. The members -- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates -- possess nearly half the planet's proven petroleum reserves.

Twice in the past decade and a half, it has been to and within the GCC region more than any other area of the world that the United States, Great Britain, dozens of other nations, and the GCC countries themselves have mobilized and deployed their armed forces to end a major international conflict and promote regional deterrence and defense.

In a coincidental but portentous development in the fall, Oman once again played a major role in helping to end an international conflict. The sultanate was part of the overall military and geo-political dynamics that unfolded in the United States-led campaign against terrorist groups with a global reach.

Operation Enduring Freedom was the military shorthand for an internationally concerted operation involving Oman and numerous other nations that, by year's end, had succeeded in toppling Afghanistan's Taliban government and dismantling the headquarters of the Al-Qaeda terrorist network.

In the immediate aftermath of the assaults on the United States in September 2001, Oman, in fulfillment of preparations launched five years earlier, hosted a bilateral, combined forces military exercise with Great Britain. The forward presence of upwards of 30,000 British soldiers, sailors, and airmen in the sultanate, the Arab country nearest the front lines of the conflict in Afghanistan, greatly facilitated the Allied Coalition's military campaign.

Domestically, Oman continued along the path of its previous political reforms. In addition to the Cabinet and government headed by the Sultan, a 52-member appointed Council of State helped determine national development strategies. As part of a larger Council of Oman, which includes an 83-member elected Consultative Council, the State Council also rendered advice regarding the sultanate's economic and financial policies and worked to ensure the implementation of government decisions.

The uncertain future of oil revenues continued to underpin the government's resolve to further diversify the economy. In the main, this entailed further development of the country's liquefied natural gas industry, tourism, and the southernmost port of Salalah, one of the world's largest container terminals.

The ambitious goals of diversifying the energy sector were reflected in the government's announced objectives for 2020 of decreasing from 40% to 9% the oil industry's annual contribution to GDP, and of increasing the yearly GDP contribution of the gas sector from 1% to 10% over the same period.

Despite these positive trends, the shockwaves that reverberated throughout the world following the late summer armed attacks on the United States found Oman to be no exception, especially with regard to what had been the country's rapidly expanding tourist industry.

However, the negative impact was short-lived. A major reason was Oman's growing reputation as a popular tourist destination in light of its striking landscapes and seascapes, rich architectural and cultural heritage, political stability, and the increasingly effective administration of the country's modern hotel and services sectors.

A major national event was the promulgation of the Sultanate's Sixth Five Year Development Plan (2001-2005). The Plan builds upon the previous two years' substantially greater oil revenues, and calls for increased private sector use and further development of the advanced economic and social infrastructure put into place since 1970, when Sultan Qaboos acceded to power.

To a much greater extent than in previous years, the Plan underscored the government's expectation that the private sector will assume a steadily greater responsibility for ensuring the country's economic growth. However, as in the other GCC countries and elsewhere, the private sector's response lagged behind official government exhortations for the sector to carry an increasing proportion of the sultanate's future development.

A major factor behind the slower than envisioned accommodation to the Plan's objectives was the continuing disparity between public and private sector employment benefits. The private sector remained overwhelmingly reliant upon foreign labor. One of the principal reasons was the ongoing constraint related to the hiring, firing, and minimal levels of remuneration for indigenous laborers, and the private sector's more exacting criteria for measuring and rewarding worker output.

Even so, the sultanate continued to administer the GCC region's most ambitious effort to privatize state-owned economic enterprises. Key sectors being sold or undergoing major equity restructuring are telecommunications, electric power generation, public utilities, hotels, cement, milling, transport, and mining.

The sultanate also registered further progress in Omanizing mainly the middle strata of the country's work force in certain areas, especially in the banking and financial institutions, while maintaining the previous official cap on government jobs.

Oman's commercial climate and fiscal as well as monetary system also continued to receive upgraded reviews by major international business and financial rating agencies. These increasingly noted Oman's stability, its physical, banking and legal infrastructure, and the government's relatively small external debt.

On the whole, local and foreign investors were buoyed by Oman's progression of successive years of increasingly impressive commercial performance. The benchmarks for such an overall upbeat assessment of the sultanate's near term prospects were its major domestic and external economic indicators, favorable reports from the International Monetary Fund and World Bank, and the continuing development, expansion, and exports of its natural gas reserves to Asian markets.

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ABOUT THE AUTHOR

DR. JOHN DUKE ANTHONY is President and CEO of the National Council on U.S.-Arab Relations; Secretary, U.S.-GCC Corporate Cooperation Committee; and Publisher of GulfWire. All three are Washington, D.C.-based non-governmental and nonprofit educational organizations dedicated to enhancing awareness and understanding of the Arab countries, the Middle East, and the Islamic world.