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Steffen Wippel

Between the Arab World and the Indian Ocean:

Dimensions of Oman's Economic Regionalisation

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Steffen Wippel: Between the Arab World and the Indian Ocean: Dimensions of Oman's Economic Regionalisation

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Content

Introduction: Some Preliminary and Conceptual Considerations 5

Oman's Late Policy of Economic Regionalism 7
Membership in Regional Integration Agreements 7
Gulf Cooperation Council 7
Greater Arab Free Trade Area 8
Indian Ocean Rim Association for Regional Cooperation 10
Organisation of the Islamic Conference 11
Institutional Links with Individual Countries 12

Oman's Enhanced Regionalisation of Trade 17
Trade Volumes and Shares 17
Exports 17
Imports 22
Total Foreign Trade 25
Relative Trade Intensities 28
Exports 29
Imports 33
Total Foreign Trade 37

Final Remarks: Background of Regional Orientations and Conclusion 40

Bibliography 44

Illustrations

Illustration 1: Oman's links with regional integration agreements 12
Illustration 2: Omani imports and exports 18
Illustration 3: Primacy of Oman's trade partners 25
Illustration 4: Oman's multiple regional orientations 41
Illustration 5: Target for non-oil Omani origin exports in 2010 42

Maps

Map 1: Gulf Cooperation Council and Greater Arab Free Trade Area 9
Map 2: Indian Ocean Rim – Association for Regional Cooperation 11
Map 3: Oman's bilateral economic agreements 15
Map 4: Omani diplomatic and economic representations abroad 16
Map 5: Distribution of Omani exports and imports 19
Map 6: Intensities of Omani exports 32
Map 7: Intensities of Omani imports 36
Map 8: Intensities of Omani international trade 39

Tables

Table 1: Economic agreements of Oman 13
Table 2: Countries' share in Oman's overall exports 18
Table 3: Regions' share in Oman's overall exports 21
Table 4: Countries' share in Oman's overall imports 23
Table 5: Regions' share in Oman's overall imports 24
Table 6: Countries' share in Oman's overall foreign trade 26
Table 7: Regions' share in Oman's overall international trade 27
Table 8: Oman's bilateral export intensities 29
Table 9: Oman's regional export intensities 30
Table 10: Oman's bilateral import intensities 33
Table 11: Oman's bilateral import intensities 34
Table 12: Oman's bilateral trade intensities 37
Table 13: Oman's regional trade intensities 38

Between the Arab World and the Indian Ocean: Dimensions of Oman's Economic Regionalisation

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Introduction: Some Preliminary and Conceptual Considerations

This paper will focus on several institutional, material and geographical aspects of economic integration as experienced by the Sultanate of Oman. Since the 1980s, the world has been experiencing a new wave of institutionalised "regionalism". Empirically, however, progress in different world regions has been very uneven. Whereas even in sub-Saharan Africa, several – often overlapping – integration projects have gathered momentum, in contrast, South Asia or the Middle East and North Africa (MENA) have only lately participated in this movement and are still considered the areas where regionalisation is the least advanced. Among the MENA countries the Sultanate of Oman can be regarded as a particular latecomer in institutionalised regionalism that did not even participate in former (although failed) attempts to integrate the Arab world. Only in the mid-1990s did its willingness for economic integration begin to grow.

The current wave of regionalism is reflected at institutional level by a growing number of political and economic regional integration agreements. Free trade agreements are at the centre of such interest. Such arrangements do, however, not always follow the traditional concept of linear step-by-step integration schemes ranging from "preferential trade zones" to comprehensive "economic and monetary unions". Both their objectives and their impact include not only increasing trade and wealth, but cover a wide range of economic, political and spatial aspects. Instead of clearly defined forms, we can only describe some of the "patterns" of regionalisation, which are flexible and can adapt to different circumstances.[1] "Differentiated integration" as is known from the European integration process, is the result of the inner and outer differentiation of co-operation fields, timetables and geographical coverage. "Open regionalism" is a key feature in the Asian-Pacific region, allowing several regional orientations to overlap simultaneously, while at the same time maintaining openness towards the global economy. "Trans-state regionalisation" as is particularly conspicuous in most parts of sub-Saharan Africa, is largely based on extended social networks and informal activities outside the state-regulated sphere.

The interdisciplinary "New Regionalism Approach", in particular, understands regionalisation as a complex, multidimensional and multidirectional phenomenon leading to overlapping and fuzzy

1 For details see S. Wippel, 2001, "'Fraktale Integration': Überlegungen zu aktuellen Formen und Abläufen wirtschaftlicher Regionalisierung", S. Wippel and I. Cornelssen (eds.), Entwicklungspolitische Perspektiven im Kontext wachsender Komplexität, München, Bonn, London: Weltforum Verlag, p. 65–98 and the relevant chapters in my recent work on Territorialisierungen und Regionalisierungen im nordwestlichen Afrika – Wirtschaft, Politik und Raum in den marokkanisch-mauretanischen Beziehungen, Erlangen, 2008 (not yet published) with further references.

regional spaces.[2] Common to this heterogeneous set of considerations is a focus on the multitude of forms, contents, actors, objectives and effects involved, the stressing of openness, ambiguity, and differentiation, as well as the overlapping and intertwining of geographical areas, the institutions and contents of regionalisation, and finally the taking into account of different levels and degrees of "region-ness".

Parallel to institutional developments, material economic relations that are regionally orientated are developing and attracting attention. Whereas the term "regionalism" refers to politically induced, institutional processes "from above", regionalisation points more to the emergence of regions "from below" arising from a multitude of individual transactions concentrated in specific geographical areas.[3] Geographically, these processes do not necessarily coincide with organised "regional integration areas", even if regionalism is often intended to ease regionalisation of trade or capital flows or is following already regionalised economic contacts. Also, many institutional and material interconnections and contacts do not follow established meta-geographies[4], and the regions created do not necessarily have to be contiguous in form. New "intermediate" spaces are explored, which are frequently characterised by changing and "fuzzy" internal and external borders.[5] But often they correspond to some older relations which have been ignored for a long time or rediscovered even if contents, actors or means of transport have changed.[6]

The following paper will first look at the institutional level of Oman's regional integration and analyse the country's present multiple membership in multilateral organisations as well as the now diversified network of agreements with individual countries. At the same time we have to look at potentially conflicting trade provisions of these overlapping regional constructs and the emerging multi-layered "spaghetti bowl regionalism".[7] The second chapter will study the material aspects of the Sultanate's international economy: however I will concentrate my research on trade relations linking the country with neighbouring regions whereas the numerous cooperation projects among firms (which are much more difficult to explore) will be investigated in the near future. In addition to the relative importance of the flow of goods, I will take into account the economic size of its trade

2 A key strand is defended for the most part by Scandinavian scholars such as B. Hettne and F. Söderbaum, 2000, "The new regionalism approach. Theorising the Rise of Regionness", New Political Economy, 5(3), p. 457–473; M. Bøås, M. H. Marchand and T. M. Shaw, 1999, "The weave-world: regionalisms in the south in the new millennium", Third World Quarterly, 20(5), p. 1061–1070; M. Schulz, F. Söderbaum and J. Öjendal (eds.), 2001, Regionalization in a Globalising World. A Comparative Perspective on Forms, Actors and Processes, London/New York: Zed Books; or M. Bøås, M. H. Marchand and T. M. Shaw (eds.), 2005, The Political Economy of Regions and Regionalisms, Houndmills, Basingstoke/New York: Palgrave Macmillan.

3 This distinction between the ideological or political phenomenon and a particularly economic process is usually made, especially in Anglo-American literature. In other papers I preferred to use the term "regionalisation" consistently to underline the process character and the intertwining of both dimensions.

4 For such mentally fixed "metageographies", see M. W. Lewis and K. E. Wigen, 1997, The Myth of Continents. A Critique of Metageography, Berkeley, Los Angeles, London: University of California Press.

5 For fuzziness, see, e. g., T. Christiansen, F. Petito and B. Tonra, 2000, "Fuzzy Politics Around Fuzzy Borders: The European Union's 'Near Abroad'", Cooperation and Conflict, 35(4), p. 389–415. F. Attinà, 1996, Regional Cooperation in Global Perspective. The case of the "mediterranean" regions, Jean Monnet Working Papers in Comparative and International Politics 04.96, University of Catania, Department of Political Studies, Jean Monnet Chair of European Comparative Politics, Catania points to the literally "medi-terranean" character of these new spaces as they often emerge around big seas and oceans or figuratively around great deserts.

6 Often this is accompanied by corresponding rhetoric, which cannot be analysed here but will be a later part of my actual research projects on Oman.

7 For the term (or "noodle bowl regionalism" with a perspective on Asia) see J. Bhagwati and A. Panagariya, 1999, "Preferential Trade Areas and Multilateralism – Strangers, Friends, or Foes?", J. Bhagwati, P. Krishna and A. Panagariya (eds.), Trading Blocs, Alternative Approaches to Analyzing Preferential Trade Agreements, Cambridge, Mass., London: MIT Press, p. 35, 77 f.; R. E. Baldwin, 2006, "Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade", The World Economy, 29(11), p. 1451–1518.

partners, i.e. their share in world trade, by calculating "relative trade intensities" which, for some methodological reasons will show regionalisation processes much better.

The main interest in both chapters will be in the multiple geographical orientation of Oman, which is regularly situated inside the Arab world or the MENA region. Looking at existing or emerging institutional arrangements and commercial flows, I will define the shape of the regions in which Oman is integrated in an inductive way. Even if I use statistics intensively, I will however, refrain from building econometric models. The paper presents preliminary results of a new research project, which are based on generally available resources and to be deepened during fieldwork, the first of which was due in January and February 2009.[8]

Oman's Late Policy of Economic Regionalism

Institutionally we have to distinguish multilateral regional free trade and integration agreements and agreements with individual countries that cover a wide range of accords on economic or economically relevant issues.

Membership in Regional Integration Agreements

Regionally Oman adhered to three institutions, which define three overlapping geographic areas that are organisationally defined.

Gulf Cooperation Council

Together with five other countries Oman is a founding member of the Arab Gulf Cooperation Council (GCC or AGCC), which was established in 1981 as the first and the only relatively successful one of a series of subregional organisations in the Arab World.[9] Its main initial goal was a security pact against military threat and political domination by other coastal states of the Arab-Persian Gulf, i.e. Iraq and particularly post-revolutionary Iran.[10] However, since the beginning it has also included an ambitious economic cooperation programme. The Unified Economic Agreement concluded in

8 The paper is one of the first results of a double research project: in 2008 I started a project "Between the Arab World and the Indian Ocean: Oman's Regional Economic Orientations" at the Department of Economics and Social Geography of the Middle East and North Africa regions at the Institute for Oriental Studies, Leipzig University (financed by the German Research Council – DFG) and another on "Tanger-Salalah: Globalising 'Regional Cities'" at the Zentrum Moderner Orient (ZMO), Geisteswissenschaftliche Zentren Berlin (financed by the Federal Ministry for Education and Research – BMBF). The manuscript was prepared for the Middle East Economic Association (MEEA) conference in March 2009 in Nice/France.

9 The other subregional organisations were the Arab Maghreb Union, founded in 1989 (preceded by the little effective Comité permanent consultatif maghrébin in the 1960s/beginning 1970s), which had established a far-reaching economic integration plan and has been blocked at least since 1994, and the Arab Cooperation Council which was established equally in 1989 by Egypt, Jordan, Iraq and the Yemen Arab Republic but did, however, not survive the Iraqi invasion of Kuwait in 1990.

10 For the GCC see H. Kistenfeger, 1994, Maghreb-Union und Golfrat. Regionale Kooperation in der arabischen Welt, Arbeitspapiere zur Internationalen Politik 89, Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik e.V., Bonn: Europa Union Verlag; H.A. Dar and J.R. Presley, 2001, "The Gulf Co-operation Council: A Slow Path to Integration?", The World Economy, 24(9), p. 1161–1178; A.K. Abdulla, 1999, "The Gulf Cooperation Council: Nature Origin and Process", M.C. Hudson (ed.), Middle East dilemma: the politics and economics of Arab integration, London, New York: I.B.Tauris, p. 150–170; R.E. Looney, 2003, "The Gulf Co-operation Council's Cautious Approach to Economic Integration", Journal of Economic Cooperation among Islamic Countries, 24(2), p. 137–156

1981 postulated the complete economic integration as the ultimate goal. Other objectives are harmonising regulations in several economic fields, setting up common research centres and joint ventures as well as encouraging the development and the cooperation of the private sector. However, particularly Oman insisted on the political side of the GCC and was very reluctant about deeper economic cooperation.[11]

The free trade area was realised in 1983, and in 2003 a customs union among its members was formally established two years earlier than initially scheduled. In principle, it includes a common external tariff of 5 % as well as the free movement of people and free establishment of GCC citizens inside the common market, which was due for 2007. For 2010 a monetary union was planned: for that, GCC members should have tied their national currencies to the US-Dollar until 2002 and started to comply with certain common convergence criteria in 2005.[12] However, it is again Oman which announced that it would not participate in the common currency right from the beginning.[13] In addition, in spite of its high degree of institutionalisation, until now the GCC remained an intergovernmental organisation and has not established supranational executive and controlling bodies.

Even if since its establishment an enlargement of the GCC to further members (such as Iraq or Jordan) was repeatedly discussed, this has not yet been realised. Only Yemen, which shows the most striking socio-economic differences with the actual members[14], but already participates in some specialised technical sub-organisations, is now negotiating a future membership, and hopes to join by 2016.

Greater Arab Free Trade Area

On the pan-Arab level the first trade integration agreement that shows some tangible results is the Greater (or: Pan-)Arab Free Trade Area (GAFTA) which counts Oman as well as all other GCC members and Yemen among its current members.[15] All former projects of enhanced economic cooperation and trade liberalisation among the (now 22) countries under the umbrella of the League of Arab States had failed, even if the League's charter had postulated cooperation in the fields of

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and others; *www.gcc-sg.org*. Additional actualised information in this paper comes from local, regional and international newspapers and magazines or from specialised internet sites (such as *www.bilaterals.org*).

11 See, for example, R.N. El-Rayyes, 1987, "Oman's Role in the Gulf Co-operation Council and the Region", Brian R. Pridham (ed.), Oman: Economic, Social and Strategic Developments, London, et al.: Croom Helm, p. 195–208.

12 For the monetary union see also M. Sturm and N. Siegfried, 2005, Regional Monetary Integration in the Member States of the Gulf Cooperation Council, Occasional Paper Series No. 31, Frankfurt am Main: European Central Bank; B. Laabas and I. Limam, 2002, Are GCC Countries Ready for Currency Union?, Kuwait: Arab Planning Institute (*www.arab-api.org/jodep/products/delivery/wps0203.pdf*; 10/12/2008).

13 In addition, Kuwait tied its currency to a basket instead of the US-Dollar in 2007. The president of the UAE's central bank, too, expressed some doubts that the monetary union could be realised before 2015.

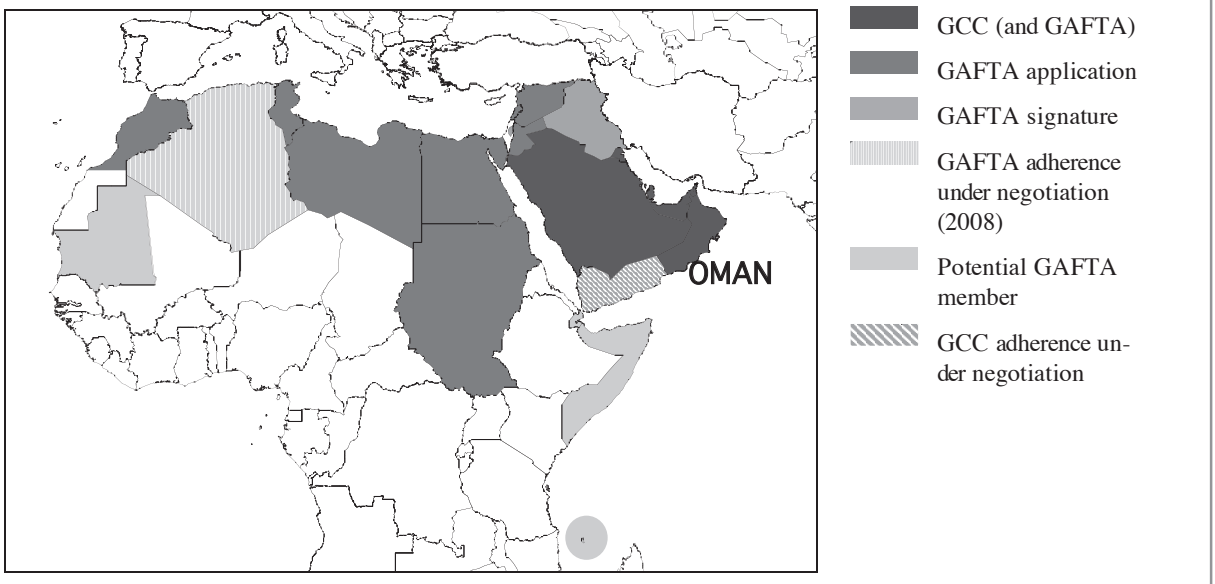
14 Compared to that, the actual members structurally are relatively homogenous and economic development was *relatively* synchronous. In 2007, the GNI per capita varied between 11,120 USD (Oman) and 31,640 USD (Kuwait). Cf. The World Bank, 2009 [2008], World Development Report. Reshaping Economic Geography, Washington, D.C.: The International Bank for Reconstruction and Development.

15 For the GAFTA and former Pan-Arab integration projects, see A. Englert, 2000, Die Große Arabische Freihandelszone. Motive und Erfolgsaussichten der neuen Initiative für eine intra-arabische Integration aus arabischer Sicht, Diskussionspapiere 73, Freie Universität Berlin, Fachgebiet Volkswirtschaft des Vorderen Orients, Berlin: Das Arabische Buch; A. Zorob, 2005, "Die Euro-Mediterrane Partnerschaft und die Süd-Süd-Integration", Orient, 46(3), p. 492–508; S. Wippel, 2005, The Agadir Agreement and Open Regionalism: The New Forum for Integration on the Southern Shore of the Mediterranean in the Context of Multiple Regional Orientations, EuroMeSCo Papers 45, Lisboa: EuroMeSCo Secretariat at the IEEI; J. Zarrouk, 2000, "The Greater Arab Free Trade Area: Limits and Possibilities", B. Hoekman and J. Zarrouk (eds.), Catching Up with the Competition, Trade Opportunities and Challenges for Arab Countries, Ann Arbor: The University of Michigan Press, p. 285–305. For the basic texts, see *www.arableagueonline.org*.

trade, customs, money, industry and agriculture as its main objectives.[16] Finally in 1981 the Arab states signed the Agreement to Facilitate and Develop Trade that intended to reduce trade barriers through a product-by-product approach to be negotiated, but also did not show further effects. Oman, which had not joined any of the bodies for economic cooperation before, was included for the first time among the signatories.

Among the reasons for the failure of all these cooperation projects we may find the emphasis on political unification processes under the ideology of Pan-Arabism whereas all new nation states were eager to consolidate their territorial nation state instead of relinquishing sovereignty rights in favour of supranational authorities. Political systems showed a great deal of incompatibility, and a lot of severe conflicts showed up among the Arab countries. All projects of political unity – mostly initiated on a bi- or trilateral basis – also failed.[17] Economically, the Arab (and especially the Western Gulf) states only showed a limited potential for the exchange of goods and division of labour compared to other world regions. Customs revenue had a high budgetary impact on most countries, so that the political leadership had a limited interest in liberalising trade for that reason, too.

Map 1: Gulf Cooperation Council and Greater Arab Free Trade Area



NB: Please note that maps are not authoritative on international boundaries and do not endorse any political view.

Yet, at the end a new effort for trade liberalisation was made as the worldwide wave of regionalisation was already well advanced. To avoid lengthy negotiations, the 1981 agreement formed the

16 Historically, the 1953 Agreement on the Facilitation of Goods Exchange and Transit Trade was the first Arab multilateral treaty aimed at liberalising trade in agricultural products and raw materials. The Agreement on Economic Unity among Arab League States (1957) had postulated that a complete economic unity should be established but even years after its launch it was only signed by a limited number of states. In 1964 the Council of Arab Economic Unity had been created that decided to establish an Arab Common Market which had only seven members and was never realised.

17 However, we should not forget that the integration process in the European context, which developed under much more favourable political and economic circumstances after World War II, also lasted several decades and still has not come to an end.

base for a new detailed Executive Program signed by 17 Arab states, including Oman[18] in 1997, to form the GAFTA.[19] Since 1998 the program was executed by 14 states[20] with the objective of abolishing all internal customs duties on industrial and agricultural goods over a ten year time period (which was finally sped up from 2008 to 2005).

Instead of too ambitious former projects of deep economic integration and political fusion, the GAFTA had a more pragmatic approach directed towards free trade and recognising the role of the private sector. However, exceptions from the trade liberalisation scheme which were allowed for the transitory phase were exaggeratedly used and not always immediately given up in 2005. Furthermore, liberalising services and investment and harmonising of standards were postponed for future consultations. Except for a commission on the implementation of the cooperation process, institutionalisation of the GAFTA remains low. In addition, the GAFTA has some internal contradictions with the new Agadir agreement established by four of its Mediterranean members.[21] Compared to the GCC, however, the GAFTA has a less ambitious timetable and integration program so that it is unlikely to significantly affect its agenda.

Indian Ocean Rim Association for Regional Cooperation

The third important regional integration area of which Oman is a member is the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).[22] This new regional organisation, which now gathers 18 member states, was first established in 1995 and formally launched in 1997.[23] From the Arab world and the Gulf region Oman was the only founding member; Yemen (1996), Iran and the United Arab Emirates (both in 1999) joined later, whereas Egypt was accepted as one of the association's "dialogue partners".[24]

18 This was without Algeria, Djibouti, the Comoros, Somalia and Mauritania.

19 The Executive Program enlarged the scope of the 1981 agreement to a general dismantling of trade barriers. Tariff structures were very uneven: the Gulf states were low-tariff countries, while others (such as the four Agadir countries) had extremely high tariffs.

20 Whereas, among the signatories, Libya immediately abolished all trade barriers for Arab commodities, Iraq, the Palestinian Authority and Yemen had signed the program, but seemed unable to apply it in due time following adverse political and economic circumstances. As one of the potential members, in 2002, Algeria had decided to join the GAFTA, and it was reported repeatedly that adherence was underway.

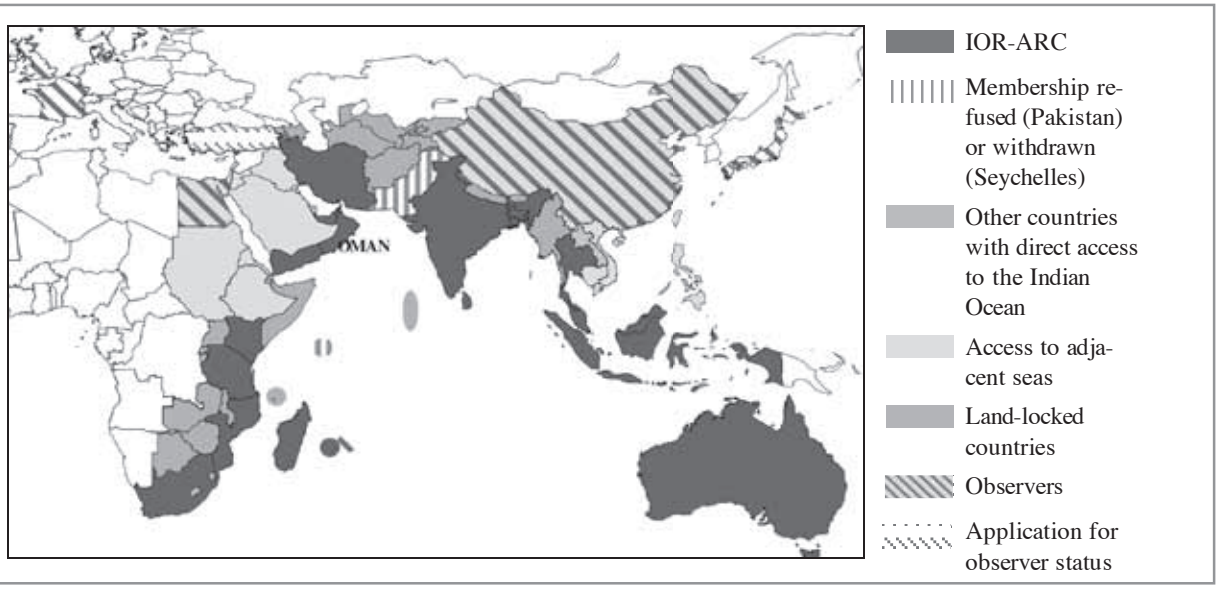
21 Current members since 2001/04 are Morocco, Tunisia, Egypt and Jordan; Lebanon showed an early interest in joining. The Agadir accord, which is based on a network of existing bilateral agreements, should become a Mediterranean-Arab Free Trade area when all Southern and Eastern partner countries of the Euromed process join. In the beginning trade liberalisation should start faster than in the GAFTA; in fact free trade was only established in late 2006 due to internal (especially Moroccan) resistance. However, the initial idea was a much larger and deeper cooperation including services, standards etc. A main problem is contradicting rules of origin applied among countries, which are members of both agreements.

22 For the IOR-ARC, initially known as the Indian Ocean Rim Initiative, see R. Shand and K. P. Kalijaran, 1997, "Yamazawa's Open Economic Association: An Indian Ocean Grouping for Economic Cooperation", The Developing Economies, 35(1), p. 3–27; G. Campbell (ed.), 2003, The Indian Ocean Rim, Southern Africa and Regional Co-operation, London, New York: RoutledgeCurzon; J. Heidrich, 1998, "Emergent Indian Ocean Politics", B. Glatzer (ed.), Essays on South Asian Society, Culture and Politics II, Berlin: Das Arabische Buch 1998, p. 7–23; S. Kelegama, 2000, "How relevant is the APEC model for IOR-ARC?", Journal of Asia Pacific Economy, 5(3), p. 255–274; *www.iornet.com; www.dfa.gov.za/foreign/Multilateral/inter/iorarc.htm* (both 15/12/2007).

23 Besides the seven founding members, further countries joined in two waves, seven others in 1996 and five in 1999 (among which the Seychelles withdrew in 2003). Pakistan's application was refused.

24 Besides France, the United Kingdom (both having overseas possessions in the Indian Ocean), Japan and China. The decision on Turkey's application for such as status was deferred. The Indian Ocean Tourism Organisation has observer status, too.

Map 2: Indian Ocean Rim – Association for Regional Cooperation



Since the end of the cold war, the Indian Ocean, which is surrounded by some major emerging countries, has gained increasing global importance and was rediscovered as a cooperation area with long historical traditions. The members of the IOR-ARC pursue an open, non-exclusive regionalism to make the flow of goods, services, capital and technology among them easier and to prepare a preferential trade agreement, but at the same time to remain open to the global economy.[25] To expand intra-regional economic relations the association is especially eager to disseminate information on national trade and investment regimes to the regional business community. The institutional structure remains shallow, however: Besides the bi-annual Council of Ministers, who in 2000 met in Oman, activities and projects that are conducted by member countries with common interests are developed in the framework of three working groups: the Working Group on Trade and Investment, the Indian Ocean Rim Business Forum and the Indian Ocean Rim Academic Group which gather the different points of view of official, business and academic representatives.

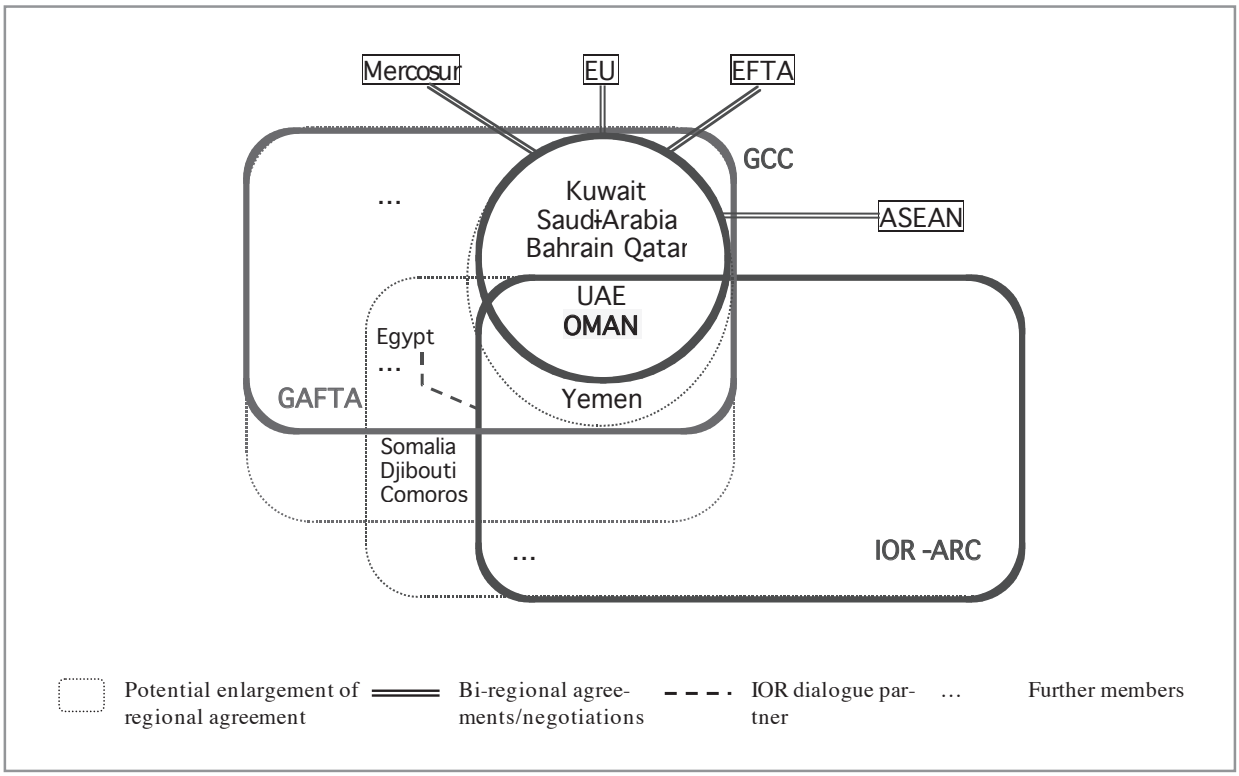
Organisation of the Islamic Conference

Finally, Oman is a member of the geographically larger Organisation of the Islamic Conference (OIC; 56 members) which had decided in 2005 to develop its economic activities.[26] In the long term, an "Islamic Free Zone" shall be established among its members to facilitate the exchange of goods. Its realisation, however, remains doubtful.

25 The idea of open regionalism was especially considered as a basis of economic cooperation in the Asian-Pacific region to which some major partners in the Eastern Indian Ocean belong simultaneously. Cf. for example H. Soesastro, 1998, "'Offener Regionalismus' im asiatisch-pazifischen Raum", H. W. Maull (ed.), Regionalismus in Asien Pazifik, Arbeitspapiere zur Internationalen Politik 98, Bonn: DGAP 1998, p. 7–58; Ch. Oman, 1994, Globalisation and Regionalisation. The Challenge for Developing Countries, Paris: OECD, p. 81 f.

26 Geographically, the OIC extends from Central Asia to West Africa including some outlets such as Guyana and Suriname, Mozambique, Bangla Desh and some South East Asian nations.

Illustration 1: Oman's links with regional integration agreements



With that, Oman is actually a member of three regional integration areas (Illustration 1): a regional (even though incomplete) common market and customs union, an (internally divided) free trade area as well as a looser cooperation association that works towards a preferential zone. As they diverge considerably in their depth and scope of integration, Oman's parallel membership in these three regional fora does not seem too contradictory. As all Arab Gulf states are simultaneously members of the GCC and the GAFTA, the first already forms a geographically restricted, but deeper and broader integration core inside the larger free trade area. Whereas its members can liberalise trade collectively with other Arab countries, meanwhile economic integration is further developed inside the GCC. At the same time, GCC countries apply the same Arab rules of origin (basically at least 40 % of locally added value) so that for the moment these regulations are also consistent. As long as the IOR-ARC does not follow a common tariff reduction scheme, no principal inconsistency with the GCC appears, either.[27] If however its activities go beyond the general information, project and cooperation level, this may hurt the principle of common external trade policy inside the GCC, which however is already undermined in several cases as I will show in the following section.

Institutional Links with Individual Countries

Besides the multilateral level Oman's regionalisation process in the making knows further scales (Table 1).[28] First, as a customs union the GCC is negotiating free trade with other regional integra-

27 As members can still determine their trade protection individually, there will not appear any inconsistency between the GAFTA and the IOR-ARC. Double membership of Oman, Yemen and the UAE, however, could pose a problem when different tariffs and regulations in detail are applied.

28 Developments are mostly as in spring 2007.

tion areas which will benefit Oman, too, if they lead to agreements in the near future. Efforts to come to an agreement are particularly prominent with the European Union.[29] Already since 1989 a bi-regional cooperation agreement has existed, and in 2003, the EU, together with India, Japan and the US, achieved the status of privileged "dialogue partner" with the GCC. However, negotiations with the Europeans on free trade have lasted since 1990, but were suspended for some years before being re-established in 2002. Since then it was regularly announced that they will come to an end soon, but serious divergence of opinion on the scope and the details of the agreement as well as on political conditions has continued.

Since 2000, the GCC is reinforcing cooperation with further regions. Parallel to the EU free trade negotiations have been underway since 2006 with the European Free Trade Association (EFTA) which, by the majority of its members is also part of the larger European Economic Area; a cooperation declaration had preceded in 2000.[30] Recently, the GCC started negotiations on free trade with the Latin American common market Mercosur on the basis of the bi-regional framework agreement of 2005. Finally, similar negotiations are being prepared with the Association of Southeast Asian Nations (ASEAN) with which annual ministerial meetings were already established in 1990.

Table 1: Economic agreements of Oman

	With regions	With states
Direct Agreements	Membership in regional agreements • Gulf Cooperation Council (GCC) 1981 • Greater Arab Free Trade Area (GAFTA) 1997/2005 • Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) 1995/97	Free trade agreement with USA 2006/09 Negotiations on bilateral free trade considered with India, Pakistan Bilateral double taxation and investment treaties, further economically relevant agreements
Agreements via the GCC level	Cooperation agreement EU 1989 Cooperation declaration EFTA 2000 Framework agreement Mercosur 2005 Free trade negotiations with • European Union (EU) • European Free Trade Association (EFTA) 2009 • Association of Southeast Asian Nations (ASEAN) • Mercosur	Framework agreements with China, India 2004 Free trade agreements with Syria, Lebanon 2005, Singapore 2009 Negotiations on free trade with Egypt, Jordan, Turkey, Azerbaijan, Pakistan, India, Thailand, China, Japan, South Korea, Australia, New Zealand

National and international sources

Secondly, the GCC is negotiating (pluri-)bilateral agreements with third countries on behalf of its entire membership. First framework agreements on cooperation were concluded with India and China in 2004, followed by free trade agreements with Syria and Lebanon in 2005. Negotiations

29 On this issue see G. Luciani and F. Neugart (eds.), 2005, The EU and the GCC. A new Partnership, München et al.: Center for Applied Policy Research, New edition; M. Chirullo and P. Guerrieri, 2002, GCC-EU Relations and Trade Integration Patterns, European University Institute, The Robert Schuman Centre for Advanced Studies, Policy Papers 02/5, San Domenico di Fiesole; H. Fürtig, 2004, "GCC-EU Political Cooperation: Myth or Reality?", British Journal of Middle Eastern Studies, 31(1), p. 25–39.

30 Norway, Iceland and Liechtenstein are simultaneously members of the European Economic Area and take on most of the EU regulations, whereas Switzerland is not an official participant but has a dense network of bilateral agreements with the EU in nearly all fields.

on free trade are now going on or are under advanced consideration with a wide range of partner countries particularly around the larger Indian Ocean (India, Pakistan[31], Egypt, Jordan, Singapore, Thailand, Australia) and in adjacent regions (South Korea, China and Japan in Eastern Asia as well as New Zealand, Azerbaijan and Turkey).

Thirdly, Oman itself has a range of bilateral agreements on economic issues with numerous countries.[32] Among them we find agreements on economic cooperation which are often part of a larger package of cooperation treaties covering several fields such as general friendship, trade, research, technology or shipping (starting in the early 1950s and continuing since 1977), some general trade accords as well as double taxation agreements (since the mid 1990s) which are often regarded as a preliminary step towards enhancing trade and investment. Further, we find agreements on the promotion and protection of investment (especially since the 1990s), and not forgetting agreements on air traffic (as of the 1970s), on specific issues such as maritime navigation, fishing, tourism, agriculture, standards or on particular cooperation projects (especially since the 1990s; see Map 3). Additionally, in the second half of the 1980s Oman started establishing joint commissions working on economic affairs with several countries.[33]

For more than two decades such institutionalised cooperation was limited to the friendship, trade and shipping treaties between Oman and the United Kingdom (1951), the former protector of the local rulers, and India (1953), from where the Oman was administered in colonial times. Only from the mid-1970s on were further economically relevant agreements concluded, but until the beginning of the 1980s they were only signed with Western industrial countries (except for one trade agreement with Morocco, one cooperation agreement with the PR of China and some agreements on air traffic with countries in the Southern and Eastern parts of Asia).

Since the second half of the 1980s, Oman began to expand its contractual network – not only in quantity, but also by geographical scope and types of agreements. Western countries remained important partners, but first North African countries were added before more Middle Eastern states with coastlines to the Red Sea and the Gulf as well as South, South Eastern and Eastern Asian countries were included in the 1990s. During this decade Oman also began to show some interest in countries from the former Eastern bloc and in (Eastern and Southern) African countries.

Agreements specifically confined to trade exist with Morocco (1982), Taiwan (1994, via the national Chambers of Commerce), Thailand (1998), Iran (2003) and Vietnam (2004), another one is about to be negotiated with South Africa. However Oman was very reluctant to establish full free trade agreements: the only one was concluded in 2006 with the USA and is at the same time part of an American initiative to establish a Middle East Free Trade Area of countries linked bilaterally to the US, initially planned for the year 2013.[34] This US-Oman agreement however, represents a violation of the principles of the Gulf customs union which should follow a common foreign trade policy and apply a common external tariff. In heavy debates Saudi Arabia had shown resistance against such exceptions, but finally the GCC admitted bilateral negotiations at least with the USA in

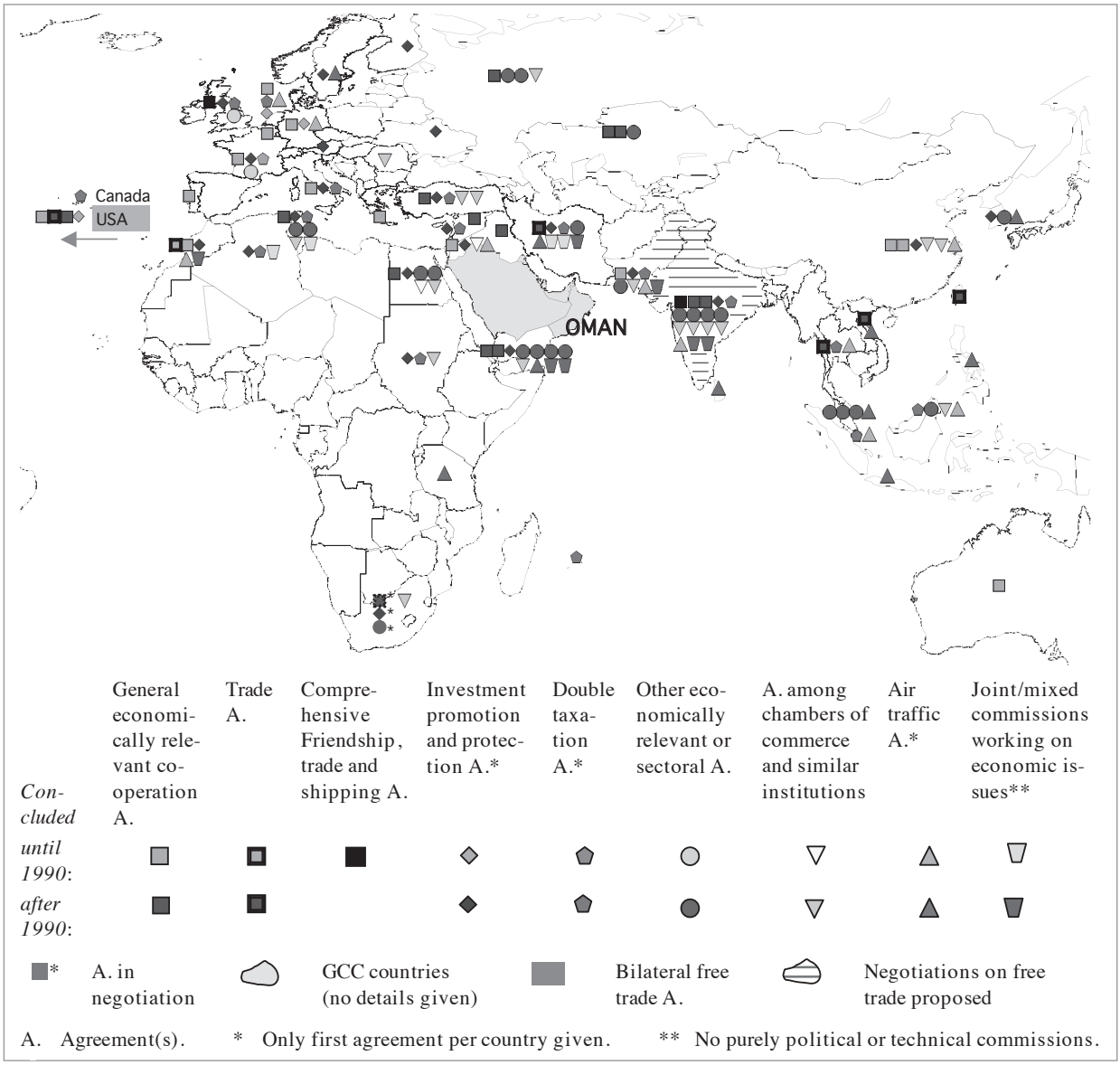
31 Agreements on investment promotion and double taxation with Pakistan have been drafted, too.

32 Details on these agreements are not known.

33 Additionally, some purely political mixed commissions were established which also might touch on economic issues, but which are not included in the map.

34 The Middle East Free Trade Area came up after ideas of a common Middle East Market, which had emerged after the Oslo accords and would have integrated Israel among its Arab neighbours, had failed. Similarly, the Greater and Broader Middle East initiatives of the US president and the EU since 2003, that aimed at a free trade and a common market in the region, have up to now found only a limited positive echo. For these initiatives, see Wippel, 2005, op. cit.

Map 3: Oman's bilateral economic agreements



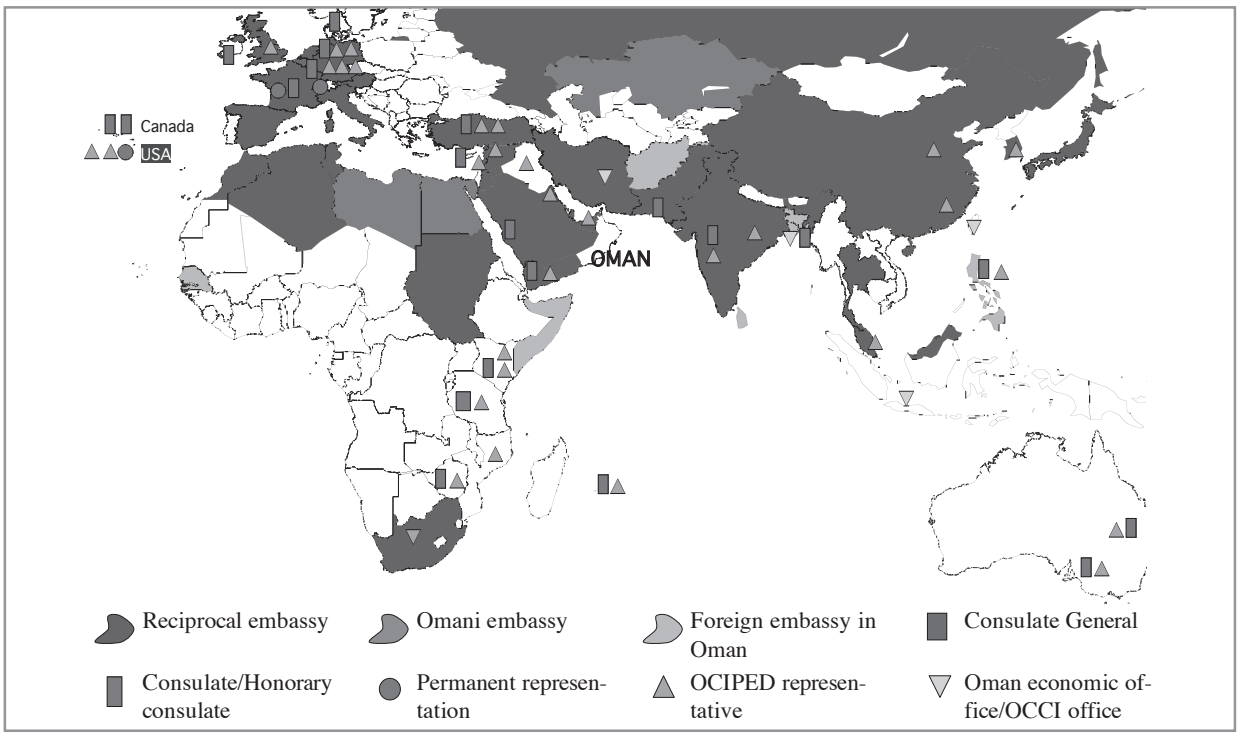
National and international sources

2004[35], against the then-voiced opposition by the UAE to this limitation. However, in 2006 Pakistan proposed Oman to negotiate free trade bilaterally, too. India and Oman were interested as well in establishing free trade on a bilateral level soon if negotiations with the GCC, which had started on Omani initiative, last too long. Oman also has special relations with both countries in the context of the IOR-ARC cooperation.

Besides treaties we should not forget other institutional measures. Mixed economic commissions were especially established with Maghreb countries and near neighbours such as Iran, India, Pakistan and Yemen. Cooperation among national chambers of commerce started in the late 1980s

35 Bahrain already concluded another bilateral free trade agreement with the US in 2004; the UAE were in negotiations since 2005 which then were suspended by the US government the following year. Qatar was planning negotiations (2005) and with Kuwait negotiations were in their starting phase, too (2006).

Map 4: Omani diplomatic and economic representations abroad



National and international sources

with Arab, Middle Eastern and Asian countries to which similar agreements with Russia, Romania and South Africa were added. Omani presentations abroad are another tool to enhance economic relations (Map 4). Embassies and consulates also often fulfil economic tasks. They exist in industrial countries, the MENA region, South, South East and East Asia as well as in Southern and Eastern Africa: among all these countries we find a special focus on the Indian Ocean area. In addition, the official Omani Centre for Investment Promotion and Export Development (OCIPED), created in 1996 has established a network of representatives in more than 25 countries concentrating on the same world regions (except for Northern Africa) to disseminate information on Oman and to establish contacts among firms; in Iraq and Mozambique the OCIPED is the only Omani institution present. Besides that, the Omani government established special economic bureaus in Bangla Desh, Iran, Indonesia and Taiwan, whereas the Oman Chamber of Commerce & Industry (OCCI) opened offices in Johannesburg and Taipei. Finally, we should mention trade fairs and delegations e. g. to South Africa, Yemen, Turkey or Pakistan, some of them also directed toward such subnational regions as Malabar, Kerala, KwaZulu-Natal or Zanzibar.

To sum up this part of the paper, we can observe a late interest in institutionalised economic cooperation, trade liberalisation and investment promotion by the Omani government which only timidly began to emerge in the late 1970s, before it saw a considerable reinforcement during the 1990s. On the multilateral regional level a two-tiered integration process is taking place, one through direct membership in regional organisations (with limited contradictions among them for the moment[36]), the other through bi-regional negotiations via the GCC. Agreements of a general nature with individual countries are normally concluded bilaterally by the Sultanate, whereas free trade is

36 This is contrary to other cases of more pronounced multidirectional regionalism, e. g. in the Arab world, such as Morocco (see for example Wippel, 2005, op. cit.; Zorob, op. cit).

also negotiated indirectly through the GCC, although this principle is already undermined in one case and could be in others. Anyhow, most of these free trade agreements which will contribute to a future spaghetti bowl regionalism are still only under consideration or under (lengthy) negotiation.

Geographically, economically relevant agreements first concentrated on the developed world before being expanded since the mid-1980s to the MENA region as well as to Asian and African countries. For multilateral regional integration as well as for bilateral agreements and representations special attention has been given to the Arab World since the 1990s, but also to the Indian Ocean rim and its larger hinterland, including its bordering "lakes" such as the Arab-Persian Gulf, the Red Sea or the South China Sea. The Gulf – especially understood as its smaller version, the integrated GCC "club" – serves as a link and a hub between both overlapping world regions (see again Illustration 1). On the multilateral level these three regions are of main relevance, too, whereas GCC-mediated second-level relations are also to be established with other world areas (Europe, Latin America, South East Asia).

Oman's Enhanced Regionalisation of Trade

As mentioned in the introduction, geographically, regulatory frameworks are not necessarily identical to material economic interlinkages. In the following I will therefore concentrate on the development of trade flows as shown in international statistics for the time period after 1980.[37]

Trade Volumes and Shares

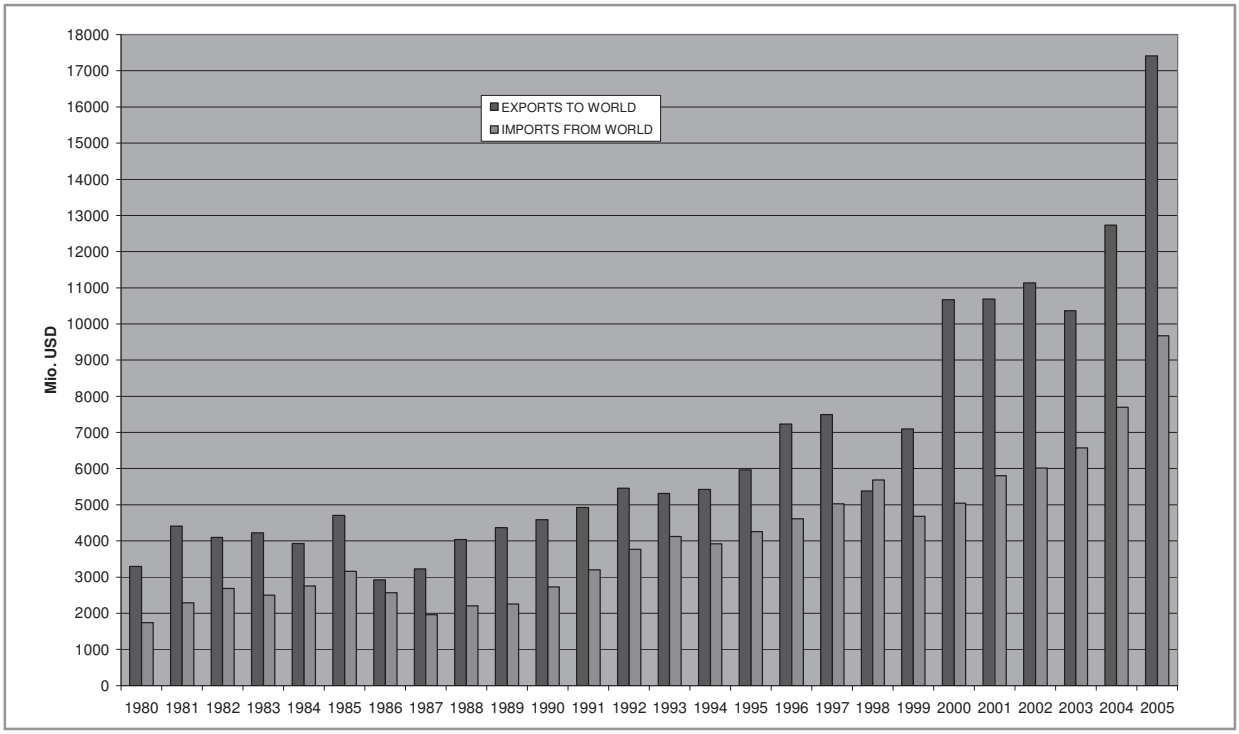
Exports

On the export side the volume of goods exchanged grew from about 3 billion USD in 1980 to more than 17 billion USD in 2005 (see Illustration 2). Major setbacks only took place in 1986 and 1998. We can observe a strong concentration of outward flow on only a few countries (see Table 2). Since the 1980s, Japan has nearly always been one of Oman's top destinations (except for the five-year-period between 1986–90) with an average share in all Omani exports of 22 % from 1981 to 2005. However its importance has decreased from over 40 % during the first half of the 1980s to about 15 % after 2000 (second rank, see Illustration 2).

It is followed by Korea, China and the United Arab Emirates which showed shares of 11 to 13 % over the whole 25 year period. However, Korea only had begun to become an important partner in the beginning of the 1990s, followed shortly thereafter by China, both approaching a fifth of Oman's exports to the world. In contrast, no export trade was done with the UAE in the first half of the 1980s, whereas in the second half nearly 50 % of Omani exports went to the Northern neighbour; since then the Emirates' share has averaged less then 10 %. Other main destinations are Thailand, which only gained importance during the 1990s (14 % and 11 % respectively during the last two five-year-periods) and Singapore, which in contrast has lost much of the importance (nearly a fifth of Omani exports) it initially had in the first half of the 1980s (since then 2 to 4 %).

37 In this first stage of my research I am concentrating on IMF statistics. Investment flows, firm cooperation and other common projects require an extra evaluation.

Illustration 2: Omani imports and exports



Source: International Monetary Fund, IMF Direction of Trade Statistics, CD-Rom, February 2007. Own calculations.

Further Middle Eastern Gulf and some Western industrial countries follow these mainly Asian countries in rank. However, the last ones (such as the United States, the Netherlands, the United Kingdom or Germany) have significantly lost importance compared to the 1980s when they showed shares around 6 to 9 % (now below 1 %, except for the USA: 3 %). Generally, countrywise concentration of exports was quite considerable; in the first half of the 1980s nearly 70 % went to the top three and more than 80 % to the top five destinations. Then it decreased for the top three (about 53 % in the last ten years), but still remained high for the larger set of primary export partners (in average about two thirds went to the top five).

Table 2: Countries' share in Oman's overall exports

Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
JAPAN	41.3 %	*2.2 %*	31.8 %	21.1 %	15.9 %	**21.9 %**
KOREA	0.0 %	*3.2 %*	18.7 %	14.0 %	18.3 %	**13.1 %**
CHINA,P. R.: MAINLAND	0.0 %	0.1 %	*7.8 %*	17.1 %	19.4 %	**12.1 %**
UNITED ARAB EMIRATES	0.0 %	45.7 %	7.9 %	*9.7 %*	*7.7 %*	**11.3 %**
THAILAND	0.0 %	0.1 %	*6.4 %*	14.4 %	*11.4 %*	**8.4 %**
SINGAPORE	19.0 %	*2.5 %*	*4.3 %*	1.6 %	2.4 %	**4.8 %**
UNITED STATES	*7.0 %*	*3.6 %*	*3.2 %*	*2.0 %*	*3.0 %*	**3.4 %**
IRAN, I. R. OF	0.0 %	*2.0 %*	1.8 %	*2.0 %*	*4.1 %*	**2.4 %**
SAUDI ARABIA	0.0 %	*6.5 %*	0.8 %	1.4 %	1.5 %	**1.7 %**
NETHERLANDS	8.9 %	1.4 %	0.1 %	0.2 %	0.1 %	**1.6 %**

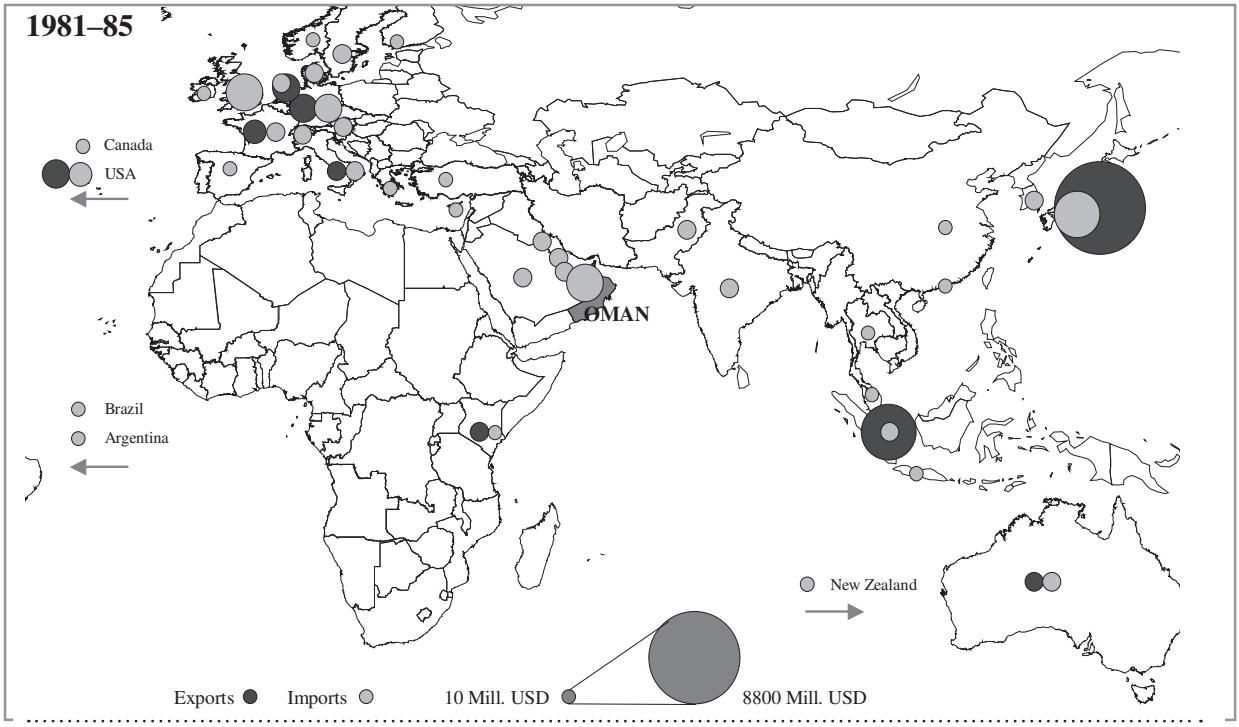
Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
UNITED KINGDOM	0.0 %	6.0 %	0.8 %	0.8 %	0.8 %	**1.3 %**
MALAYSIA	0.0 %	0.1 %	0.0 %	1.2 %	*2.8 %*	**1.3 %**
GERMANY	5.7 %	1.1 %	0.1 %	0.1 %	0.1 %	**1.1 %**
PHILIPPINES	0.0 %	0.1 %	0.6 %	*2.7 %*	0.6 %	**0.9 %**
YEMEN, REPUBLIC OF*	0.0 %	0.5 %	*2.3 %*	1.3 %	0.4 %	**0.9 %**
AUSTRALIA	*2.3 %*	2.2 %	0.6 %	0.6 %	0.0 %	**0.8 %**
FRANCE	*3.8 %*	1.1 %	0.2 %	0.2 %	0.3 %	**0.8 %**
INDIA	0.0 %	1.9 %	0.5 %	0.8 %	0.9 %	**0.8 %**
CHINA,P.R.:HONG KONG	0.0 %	0.6 %	2.2 %	0.7 %	0.3 %	**0.7 %**
SPAIN	0.0 %	0.1 %	0.0 %	0.0 %	1.2 %	**0.5 %**
Top 3 destinations	69.2 %	58.2 %	58.4 %	52.6 %	53.6 %	**47.1 %**
Top 5 destinations	81.9 %	65.0 %	72.6 %	79.0 %	72.7 %	**66.8 %**

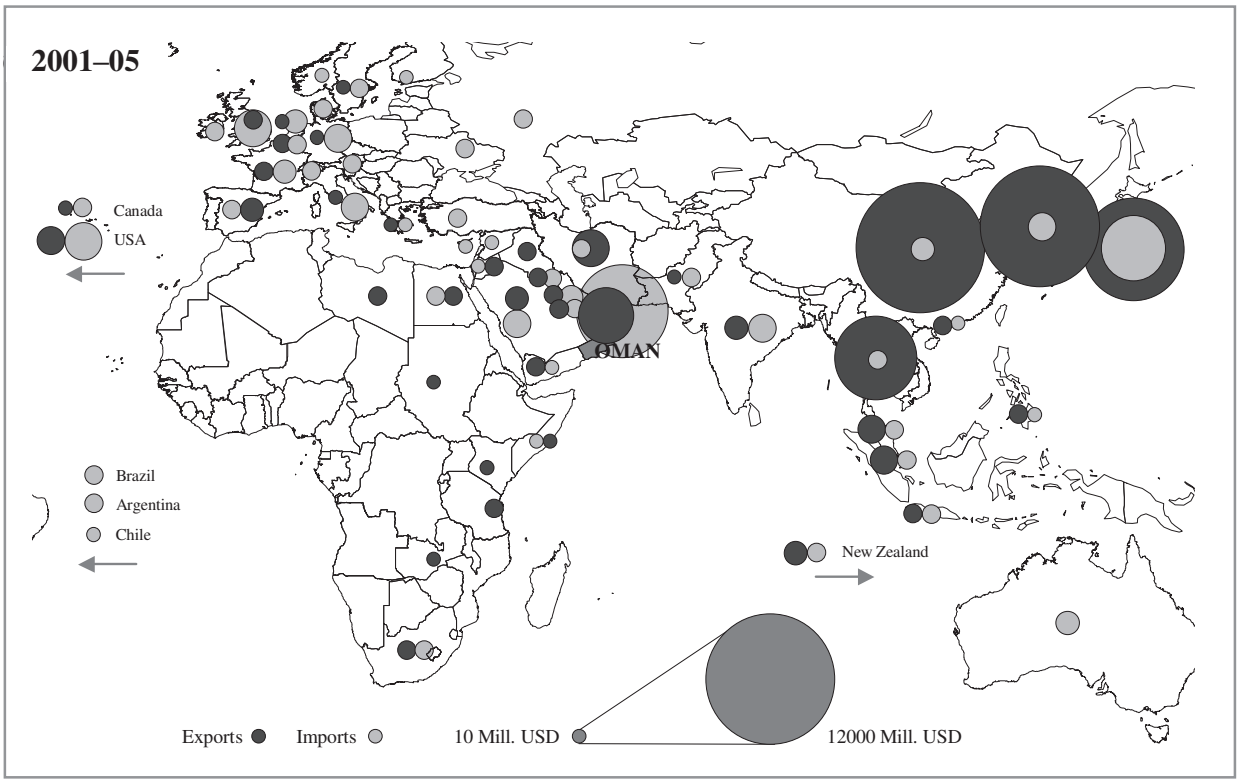
** In the 1980s: Arab Republic and People's Democratic Republic.*
The table shows the top 20 export destinations (share ≥ 0.5 %) according to the 1980–2005 average.
They are followed by Kuwait, Bahrain, Qatar and Italy (1981–85: 0.5 %).
***Column 2 to 6:** underlined – top 3 destinations in respective five-year-period; italic – rank 4 to 8.*

Source: IMF, 2007, op. cit. Own calculations.

If we look at Map 5 we see again that during the first five-year period under observation, Omani exports showed an intense concentration on a few destinations either situated in Australasia (mainly Japan and Singapore; Australia) or in Western Europe (Germany, Netherlands, France, Italy). In the Americas only the US and in Africa only Kenya were of some interest whereas the Arab world did not show up as an export receiving region.

Map 5: Distribution of Omani exports and imports





Only countries with either over 100 million USD in exports or imports with Oman (summed up for 1980–2005) are shown. Only trade volumes above 10 million USD in a five-year-period are shown.

For the last period (2001–05) we see a tremendous increase in Omani exports as well as a further concentration simultaneously with a diversification of destinations. Eastern and South Eastern Asia remain the main partner region with new customers such as China, Korea and Thailand. In Europe we find a wider range of countries surmounting the threshold of 10 million USD in imports from Oman over five years; further Western destinations include Northern America and New Zealand. To this more and more MENA countries East of Libya are added, with the UAE and Iran being the main partners. Sub-Saharan Africa, too, became a – nevertheless still minor – trade partner especially in its Eastern and Southern parts, from the Sudan to the South African Republic.

These trends are confirmed if we calculate percentages per region (see Table 3). However it is useful not only to regard established meta-geographical or institutionalised regions.

In Oman's overall exports the share of industrial countries (such as defined by the IMF statistics) decreased from more than two thirds in the first five-year period to one third (OECD: about 45 %) during the years 2001–05. Especially for the Western European countries and for the larger Pan-Euromed region this meant a dramatic fall from 19 % to 3–4 % even if their share recovered slightly in the last period compared to the preceding one. Nearly all of these exports are done with the core EU 15 countries. The Western hemisphere, which nearly exclusively means Northern America, also lost more than half of its initial importance (4 instead of nearly 9 %).

Accordingly, trade with developing countries grew from one quarter to two thirds of Oman's exports. Africa's share[38], however, has remained an average of 2 % during the whole 25 years. Most of it went to African countries bordering the Indian Ocean. In contrast, the share of Asian developing countries rose from 22 % to about 60 %. Nearly half of all outward oriented flows went to East Asian

38 As defined by the IMF, i. e. without Libya and Egypt.

countries (including industrialised Japan): over time the region's share oscillated between 40 % and 60 %, except for the second half of the 1980s, when it had broken down to 6 % (parallel to the general decrease of Omani exports). ASEAN countries were responsible for up to 20 %, whereas South Asia normally did not exceed the 1 % limit (except for the late 1980s: 3 %). The emerging Asia-Pacific zone (organised in the APEC) now attracts three quarters of Oman's exports. Oil exporting countries started with zero, achieved an overwhelming part of Oman's exports in the second half of the 1980s, but then fell back afterwards to an average 10 to 15 %. Parallel to that – with only 1 to 3 points higher – importance developed for the larger MENA region. The main recipients among them were the Gulf countries.

Finally the Indian Ocean region is itself worth consideration. The Indian Ocean rim (nearly identical with the part institutionalised in the IOR-ARC) has received about one third of Oman's exported goods in the last 25 years. If we include its wider hinterland (adjacent seas such as the Red Sea, the Gulf and the Southern Chinese Sea) this share accrues to one half. If we disregard the very special second half of the 1980s these shares grew considerably from an initial 22 % for both definitions of this world-region. From the total share only 1 point accrued to the African and South Asian Indian ocean countries, 11 to 14 points to the Arab part of the Indian Ocean rim (over the last three periods), whereas the rest went to South East Asia (and China).

Table 3: Regions' share in Oman's overall exports

Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
INDUSTRIAL COUNTRIES	**69.4 %**	**21.6 %**	**37.5 %**	**25.9 %**	**22.7 %**	**32.5 %**
OECD	69.4 %	24.9 %	56.2 %	39.9 %	41.0 %	**45.6 %**
EU 15	18.9 %	12.7 %	1.6 %	1.6 %	2.8 %	**5.9 %**
Pan-Euromed	18.9 %	14.5 %	2.0 %	2.4 %	4.0 %	**6.8 %**
DEVELOPING COUNTRIES	**24.7 %**	**78.4 %**	**62.5 %**	**74.1 %**	**77.3 %**	**66.7 %**
AFRICA	**1.0 %**	**2.2 %**	**2.0 %**	**2.4 %**	**1.6 %**	**1.8 %**
African Indian Ocean Rim	1.0 %	1.7 %	1.6 %	1.7 %	1.3 %	**1.4 %**
DEV. CTYS: ASIA	**22.2 %**	**14.2 %**	**46.5 %**	**55.6 %**	**59.6 %**	**46.0 %**
SAARC	0.0 %	3.2 %	0.7 %	0.9 %	1.1 %	**1.1 %**
ASEAN	19.0 %	2.9 %	11.3 %	19.9 %	17.5 %	**15.5 %**
East Asia	41.3 %	6.1 %	60.5 %	52.9 %	53.8 %	**47.7 %**
APEC	69.5 %	15.1 %	76.0 %	76.1 %	75.2 %	**67.9 %**
IOR-ARC	22.3 %	57.2 %	25.4 %	33.2 %	31.0 %	**32.0 %**
Indian Ocean Rim	22.3 %	58.2 %	25.5 %	33.3 %	31.3 %	**32.3 %**
Indian Ocean Rim & hinterland	22.3 %	72.4 %	38.0 %	56.9 %	55.2 %	**49.8 %**
DEV. CTYS: EUROPE	**0.0 %**	**0.2 %**	**0.1 %**	**0.4 %**	**0.2 %**	**0.2 %**
MIDDLE EAST	**0.0 %**	**61.8 %**	**13.6 %**	**15.7 %**	**15.9 %**	**18.4 %**
larger MENA	0.0 %	63.7 %	14.0 %	16.0 %	16.6 %	**18.9 %**
AL	0.0 %	60.6 %	12.0 %	14.0 %	12.2 %	**16.2 %**

Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
GAFTA	0.0 %	57.6 %	9.7 %	12.5 %	11.2 %	**14.8 %**
GCC	0.0 %	56.1 %	9.3 %	11.7 %	10.1 %	**14.0 %**
Gulf	0.0 %	59.7 %	11.1 %	13.8 %	14.5 %	**16.8 %**
Arab Peninsula	0.0 %	57.3 %	11.6 %	13.0 %	10.5 %	**15.0 %**
Arab Indian Ocean Rim	0.0 %	60.2 %	11.8 %	13.6 %	11.4 %	**15.8 %**
OIC	0.0 %	63.9 %	14.0 %	17.6 %	19.9 %	**20.5 %**
WESTERN HEMISPHERE	**1.5 %**	**0.0 %**	**0.3 %**	**0.0 %**	**0.0 %**	**0.3 %**
NAFTA	7.0 %	3.9 %	3.2 %	2.0 %	3.0 %	**3.4 %**
OIL EXPORTING CTYS	**0.0 %**	**58.8 %**	**10.9 %**	**13.9 %**	**14.9 %**	**16.8 %**

APEC: Asia-Pacific Economic Cooperation; NAFTA: North American Free Trade Agreement; SAARC: South Asian Association for Regional Cooperation. Regional definitions as far as not self-evident or defined by institutional membership or the IMF:

Pan-Euromed: *European Economic Area, Switzerland, Eastern and Southern Mediterranean partner countries of Barcelona process, Croatia, Macedonia;* ***larger MENA:*** *Arab League plus Israel, Turkey, Iran, Pakistan, Afghanistan;* ***GAFTA:*** *applying countries only;* ***Gulf:*** *GCC plus Iran, Iraq;* ***Indian Ocean Rim:*** *IOR-ARC plus Somalia, Comoros, Seychelles, Pakistan, Mal-dives, Myanmar, (Timor);* ***IOR & hinterland:*** *Indian Ocean Rim plus countries bordering adjacent seas and landlocked coun-tries, i.e. Botswana, Swaziland, Lesotho, Ethiopia, Eritrea, Sudan, Burundi, Rwanda, Uganda, Malawi, Zambia, Zimbabwe, Egypt, Israel, Jordan, Saudi-Arabia, Kuwait, Bahrain, Qatar, Iraq, Afghanistan, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan, Azerbaijan, Armenia, Nepal, (Bhutan), (Laos), Cambodia, Philippines, Vietnam, (Taiwan), Brunei, China with Hong Kong and Macao;* ***Arab IOR:*** *GCC plus Iraq, Jordan, Egypt, Sudan, Yemen;* ***African IOR:*** *Sudan, Eritrea, Djibouti, Somalia, Kenya, Tanzania, Mozambique, South Africa, Madagascar, Seychelles, Comoros, Mauritius, Réunion;* ***East Asia:*** *South Korea, North Korea, Japan, (Taiwan), China with Hong Kong and Macao. No data are given for countries in brackets.*

Source: IMF, 2007, op. cit. Own calculations.

Imports

Omani imports grew from below 2 billion USD (1980) to nearly 10 billion USD (2005). Their volume decreased twice following a decline in exportations (Illustration 2). The first sharp reduction took place in 1986/87; 1998 was the only year characterised by a trade deficit which was followed by another considerable decline in imports in 1999. Concentration on a few top suppliers was strong but less developed than on the export side, and the list of the main import partners remained largely stable over the whole examination period (Table 4). Whereas exports were predominantly oriented towards destinations East of Oman, Western industrialised countries ranked more prominently among its suppliers. However, with nearly a quarter of all Omani imports, the UAE has remained the main supplier since the mid 1980s; Japan ranked second (except for the first half of the 1980s) with an average share of about 17 % for the 25-year period, followed by the United Kingdom whose importance, however, continuously decreased (from 16 % to 7 %). Then, the United States and some European countries showed a tendency toward decreasing importance, too, whereas India, Saudi Arabia and Korea increased their shares (today up to 3 to 4 % each). The three main suppliers combined about one half of Oman's inflow of goods (with a

slightly decreasing tendency in the last ten years), whereas two thirds went to the top 5 import partners (falling from an initial 70 % to 58 %).

Table 4: Countries' share in Oman's overall imports

Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
UNITED ARAB EMIRATES	17,4 %	21,0 %	26,8 %	26,1 %	23,8 %	**23,7 %**
JAPAN	21,3 %	15,4 %	19,9 %	16,5 %	16,2 %	**17,5 %**
UNITED KINGDOM	16,1 %	13,3 %	9,2 %	7,2 %	6,9 %	**9,4 %**
UNITED STATES	*7,3 %*	*8,0 %*	*7,1 %*	*6,9 %*	*6,2 %*	**6,8 %**
GERMANY	*7,6 %*	*6,2 %*	*5,0 %*	*4,6 %*	*4,9 %*	**5,3 %**
INDIA	*2,3 %*	*2,9 %*	*2,9 %*	*3,4 %*	*4,1 %*	**3,3 %**
FRANCE	*3,0 %*	*3,6 %*	*3,1 %*	*3,5 %*	*2,5 %*	**3,0 %**
ITALY	*2,2 %*	*2,6 %*	*1,8 %*	*3,5 %*	*3,1 %*	**2,8 %**
NETHERLANDS	*3,0 %*	*3,5 %*	*2,8 %*	*2,3 %*	1,8 %	**2,5 %**
SAUDI ARABIA	0,2 %	1,4 %	2,6 %	3,2 %	*3,4 %*	**2,5 %**
AUSTRALIA	1,6 %	2,3 %	2,4 %	2,5 %	2,2 %	**2,3 %**
KOREA	0,8 %	1,1 %	1,7 %	2,6 %	2,9 %	**2,1 %**
BAHRAIN, KINGDOM OF	*2,8 %*	0,6 %	0,8 %	0,5 %	1,8 %	**1,4 %**
CHINA,P. R.: MAINLAND	0,5 %	0,4 %	0,6 %	1,5 %	1,9 %	**1,2 %**
SINGAPORE	2,0 %	1,5 %	0,9 %	1,0 %	1,1 %	**1,2 %**
MALAYSIA	0,6 %	0,8 %	1,2 %	1,3 %	1,1 %	**1,1 %**
THAILAND	0,4 %	0,6 %	0,6 %	0,6 %	1,1 %	**0,8 %**
SPAIN	0,6 %	0,7 %	0,4 %	0,5 %	0,6 %	**0,5 %**
CHINA,P. R.:HONG KONG	0,5 %	0,4 %	0,5 %	0,4 %	0,2 %	**0,4 %**
IRAN, I. R. OF	0,0 %	0,0 %	0,2 %	0,7 %	0,7 %	**0,4 %**
Top 3 suppliers	54,8 %	49,7 %	55,9 %	49,8 %	46,9 %	**50,6 %**
Top 5 suppliers	69,7 %	63,9 %	68,0 %	61,3 %	58,0 %	**66,8 %**

The table shows the 20 top suppliers according to the 1980–2005 average. They are followed by Kuwait, Qatar, the Philippines and Yemen. ***Column 2 to 6:*** *underlined – top 3 destinations in respective five-year-period; italic – rank 4 to 8.*
Source: IMF, 2007, op. cit. Own calculations.

On Map 5 we recognise the wider distribution of imports, its increasing diversification as well as its countrywise and regional concentration, too. In the early 1980s a lot of goods arrived from a certain range of Western European countries, other Arab Gulf countries and the Australasian triangle between Japan, Pakistan and New Zealand. In the beginning of the 2000s the volume of imported goods as well as the number of suppliers increased along a broad band reaching from Western Europe across the Middle East to Eastern Asia and Oceania. The Americas, except for the USA, as well as the African continent remained low in importance.

The map also shows the trade surplus Oman normally accumulates, in particular in the Far East. Smaller or larger trade deficits have only occurred with the USA, Western European countries (especially with Great Britain and Germany) and Arab Gulf partners (especially with the neighbouring Emirates).

Per world region (cf. Table 5) the industrial countries (and similarly the whole OECD) lost a good part of their share as suppliers to the Omani economy, decreasing from over two thirds to a half over the periods under consideration. Almost the same was true for the European (and Mediterranean) countries from where at the end only a quarter of all imported goods originated. With about 7 % the NAFTA held its share over time while the rest of the American continent could be ignored.

Table 5: Regions' share in Oman's overall imports

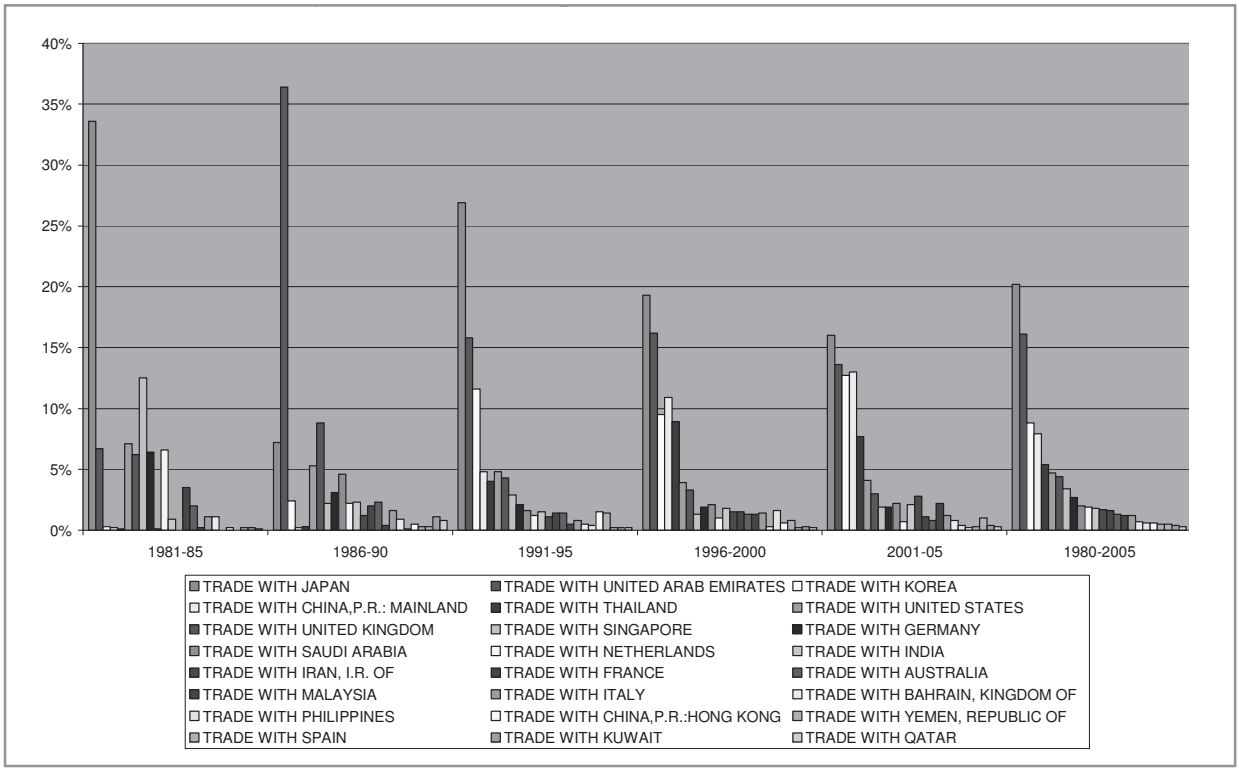
Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
INDUSTRIAL COUNTRIES	**67.9 %**	**61.9 %**	**56.5 %**	**52.3 %**	**50.1 %**	**55.5 %**
OECD	68.9 %	63.3 %	58.6 %	55.5 %	53.9 %	**58.2 %**
EU 15	36.1 %	33.5 %	25.2 %	24.8 %	23.7 %	**27.0 %**
Pan-Euromed	37.7 %	36.1 %	27.1 %	27.1 %	26.6 %	**29.4 %**
DEVELOPING COUNTRIES	**32.1 %**	**35.2 %**	**43.5 %**	**47.6 %**	**49.9 %**	**44.1 %**
AFRICA	**0.6 %**	**0.2 %**	**0.3 %**	**0.5 %**	**0.6 %**	**0.5 %**
African Indian Ocean Rim	0.4 %	0.1 %	0.2 %	0.3 %	0.5 %	**0.4 %**
DEV. CTYS: ASIA	**9.1 %**	**9.7 %**	**10.5 %**	**13.2 %**	**14.2 %**	**12.1 %**
SAARC	3.3 %	3.7 %	3.8 %	4.5 %	5.0 %	**4.3 %**
ASEAN	3.4 %	3.4 %	3.5 %	3.7 %	3.9 %	**3.7 %**
East Asia	23.1 %	17.3 %	22.6 %	21.1 %	21.2 %	**21.2 %**
APEC	36.2 %	31.9 %	36.7 %	35.4 %	34.8 %	**35.2 %**
IOR-ARC	25.0 %	29.8 %	36.0 %	36.7 %	35.2 %	**33.7 %**
Indian Ocean Rim	26.0 %	30.6 %	36.9 %	37.9 %	36.1 %	**34.7 %**
Indian Ocean Rim & hinterland	31.0 %	34.3 %	42.1 %	44.4 %	45.0 %	**41.3 %**
DEV. CTYS: EUROPE	**0.6 %**	**0.8 %**	**0.8 %**	**1.1 %**	**2.3 %**	**1.4 %**
MIDDLE EAST	**21.2 %**	**23.9 %**	**31.2 %**	**31.6 %**	**31.5 %**	**29.2 %**
larger MENA	22.2 %	24.9 %	32.4 %	33.3 %	33.0 %	**30.6 %**
AL	21.2 %	23.9 %	31.0 %	31.0 %	31.1 %	**28.9 %**
GAFTA	21.2 %	23.9 %	31.0 %	30.9 %	30.8 %	**28.8 %**
GCC	21.1 %	23.7 %	30.7 %	30.3 %	29.9 %	**28.2 %**
Gulf	21.1 %	23.7 %	30.9 %	31.0 %	30.6 %	**28.7 %**
Arab Peninsula	21.1 %	23.7 %	30.7 %	30.3 %	30.1 %	**28.3 %**
Arab Indian Ocean Rim	21.1 %	23.8 %	30.9 %	30.6 %	30.6 %	**28.6 %**
OIC	23.2 %	26.1 %	34.3 %	35.2 %	34.7 %	**32.2 %**
WESTERN HEMISPHERE	**0.6 %**	**0.6 %**	**0.7 %**	**1.3 %**	**1.3 %**	**1.0 %**
NAFTA	7.5 %	8.3 %	7.6 %	7.2 %	6.6 %	**7.2 %**

Source: IMF, 2007, op. cit. Own calculations.

Inversely, the share of the "global South" in Oman's imports grew from a third to one half. On the import side, though, Africa also remains an insignificant partner. Even if its part increased (from 9 to 14 %), developing and emerging Asia is not very important either. More central are East Asia (including Japan: mostly over 20 %) and the Asian-Pacific countries (mostly over one third). South East Asia and South Asia each supply about 4 % of the goods flowing into Oman. The importance of the MENA region for the supply of goods grew during the 1980s to reach more than 30 % since then. Nearly all of these imports came from the GCC countries.

If we look at the Indian Ocean again, its importance also grew by about ten points to 35 to 38 % since the 1990s. Including its hinterland as defined above the wider region even covered 45 % of Omani imports during the last quinquennium. Arab Indian Ocean rim states alone were responsible for over 30 points; the rest was coming in, in decreasing order, from South Asian, South East Asian and African coastal states.

Illustration 3: Primacy of Oman's trade partners



Source: IMF, 2007, op. cit. Own calculations.

Total Foreign Trade

If we consider exports and imports simultaneously, ignoring their uneven distribution, with about 20 %, Japan has remained Oman's main trading partner, even if its importance decreased from one third (in the beginning of the 1980s) to 16 % twenty years later (Table 6). Second come the UAE (mostly around 16 %), followed by Korea and China, which have become more and more important during the last 10 to 15 years. Thailand (rising), the US, the UK, Singapore and Germany (all declining) follow. The pyramid of partners' primacy decreased in height and leveled off somewhat, i. e. more evenly distributed over time (Illustration 3). Oman exchanged about one half (declining from 53 % to 43 %) with its top 3 trade partners, whereas the five countries ranked first gathered nearly two thirds of all goods exchanged in all periods.

Table 6: Countries' share in Oman's overall foreign trade

Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
JAPAN	33.6 %	7.2 %	26.9 %	19.3 %	16.0 %	**20.2 %**
UNITED ARAB EMIRATES	*6.7 %*	36.4 %	15.8 %	16.2 %	13.6 %	**16.1 %**
KOREA	0.3 %	*2.4 %*	11.6 %	*9.5 %*	*12.7 %*	**8.8 %**
CHINA,P. R.: MAINLAND	0.2 %	0.2 %	*4.8 %*	10.9 %	13.0 %	**7.9 %**
THAILAND	0.1 %	0.3 %	*4.0 %*	*8.9 %*	*7.7 %*	**5.4 %**
UNITED STATES	7.1 %	*5.3 %*	*4.8 %*	*3.9 %*	*4.1 %*	**4.7 %**
UNITED KINGDOM	*6.2 %*	8.8 %	*4.3 %*	*3.3 %*	*3.0 %*	**4.4 %**
SINGAPORE	12.5 %	2.2 %	*2.9 %*	1.3 %	1.9 %	**3.4 %**
GERMANY	*6.4 %*	*3.1 %*	2.1 %	1.9 %	1.9 %	**2.7 %**
SAUDI ARABIA	0.1 %	*4.6 %*	1.6 %	*2.1 %*	2.2 %	**2.0 %**
NETHERLANDS	*6.6 %*	2.2 %	1.2 %	1.0 %	0.7 %	**1.9 %**
INDIA	0.9 %	*2.3 %*	1.5 %	1.8 %	2.1 %	**1.8 %**
IRAN, I. R. OF	0.0 %	1.2 %	1.1 %	1.5 %	*2.8 %*	**1.7 %**
FRANCE	*3.5 %*	2.0 %	1.4 %	1.5 %	1.1 %	**1.6 %**
AUSTRALIA	2.0 %	*2.3 %*	1.4 %	1.3 %	0.8 %	**1.3 %**
MALAYSIA	0.2 %	0.4 %	0.5 %	1.3 %	2.2 %	**1.2 %**
ITALY	1.1 %	1.6 %	0.8 %	1.4 %	1.2 %	**1.2 %**
BAHRAIN, KINGDOM OF	1.1 %	0.9 %	0.5 %	0.3 %	0.8 %	**0.7 %**
PHILIPPINES	0.0 %	0.1 %	0.4 %	1.6 %	0.4 %	**0.6 %**
CHINA,P. R.:HONG KONG	0.2 %	0.5 %	1.5 %	0.6 %	0.2 %	**0.6 %**
Top 3 partners	53.2 %	52.4 %	54.3 %	46.4 %	42.6 %	**45.1 %**
Top 5 partners	66.5 %	62.3 %	63.9 %	64.8 %	63.0 %	**58.4 %***

* *As the list of top suppliers changes over time, the average percentage for the 25-year top suppliers can be lower than for each of the five-year periods respectively.*

The table shows the top 20 trade partners according to the 1980–2005 average. They are followed by Yemen, Spain, Kuwait and Qatar. ***Column 2 to 6:*** *underlined - top 3 destinations in respective five-year-periods; italic – rank 4 to 8.*

Source: IMF, 2007, op. cit. Own calculations.

Finally, trends in trade with world regions (Table 7) show again that industrial states lost a lot of importance (about 20 points during the time considered) in favour of developing and emerging countries (however important partners such as Korea are already part of the OECD group which compared to the industrial countries remains more significant). Since the 1990s, the APEC group counts among the most important partner regions with a share of up to 60 %; but over 40 % of Omani trade, especially exports, are done alone with the sub-group of Eastern Asian countries. Other important partner regions are situated at the Indian Ocean rim with which Oman exchanges one third of its trade; alone 20 points of it go to the Arab countries at the Indian Ocean shore respectively with neighbours around the Arab-Persian Gulf. The Islamic world (as institutionalised in the OIC) holds a quarter of the Sultanate's international trade. Europe, mainly the core EU 15

states, gathers only a little bit more than 10 % and is now of less importance even for Oman's imports. Other Arab countries neither add much to trade with the Euro-Mediterranean nor with the Arab world. Some additional trade is done with Northern America (not more than 5 %) and the Indian subcontinent (2 %).

Table 7: Regions' share in Oman's overall international trade

Percentage (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
INDUSTRIAL COUNTRIES	**68.8 %**	**36.9 %**	**45.4 %**	**36.4 %**	**32.7 %**	**41.4 %**
OECD	69.2 %	39.5 %	57.2 %	46.1 %	45.7 %	50.5 %
EU 15	25.6 %	20.6 %	11.4 %	10.8 %	10.5 %	14.0 %
Pan-Euromed	26.2 %	22.7 %	12.4 %	12.2 %	12.3 %	15.5 %
DEVELOPING COUNTRIES	**27.6 %**	**62.0 %**	**54.6 %**	**63.5 %**	**67.3 %**	**58.0 %**
AFRICA	**0.8 %**	**1.4 %**	**1.3 %**	**1.6 %**	**1.2 %**	**1.3 %**
African Indian Ocean Rim	0.8 %	1.1 %	1.0 %	1.2 %	1.0 %	1.0 %
DEV. CTYS: ASIA	**17.1 %**	**12.5 %**	**31.6 %**	**38.7 %**	**43.0 %**	**33.0 %**
SAARC	1.3 %	3.4 %	2.0 %	2.4 %	2.5 %	2.3 %
ASEAN	13.0 %	3.1 %	8.1 %	13.5 %	12.6 %	11.0 %
East Asia	34.3 %	10.3 %	44.7 %	40.2 %	41.9 %	37.5 %
APEC	56.7 %	21.5 %	59.7 %	59.9 %	60.5 %	55.3 %
IOR-ARC	23.4 %	46.8 %	29.8 %	34.6 %	32.5 %	32.7 %
Indian Ocean Rim	23.7 %	47.7 %	30.2 %	35.1 %	33.1 %	33.2 %
Indian Ocean Rim & hinterland	25.7 %	57.9 %	39.7 %	51.9 %	51.5 %	46.5 %
DEV. CTYS: EUROPE	**0.2 %**	**0.4 %**	**0.4 %**	**0.7 %**	**1.0 %**	**0.6 %**
MIDDLE EAST	**8.2 %**	**47.4 %**	**20.9 %**	**22.0 %**	**21.6 %**	**22.5 %**
larger MENA	8.6 %	48.9 %	21.6 %	22.9 %	22.6 %	23.4 %
AL	8.2 %	46.7 %	19.9 %	20.7 %	19.1 %	21.1 %
GAFTA	8.2 %	44.8 %	18.6 %	19.8 %	18.4 %	20.2 %
GCC	8.1 %	43.8 %	18.2 %	19.1 %	17.3 %	19.5 %
Gulf	8.1 %	46.0 %	19.3 %	20.7 %	20.3 %	21.4 %
Arab Peninsula	8.1 %	44.5 %	19.5 %	19.9 %	17.6 %	20.1 %
Arab Indian Ocean Rim	8.1 %	46.4 %	19.8 %	20.4 %	18.4 %	20.7 %
OIC	8.9 %	49.5 %	22.5 %	24.6 %	25.3 %	25.0 %
WESTERN HEMISPHERE	**1.2 %**	**0.2 %**	**0.5 %**	**0.5 %**	**0.5 %**	**0.6 %**
NAFTA	7.2 %	5.6 %	5.1 %	4.1 %	4.3 %	4.9 %

Source: IMF, 2007, op. cit. Own calculations.

However, we should not forget that some trade is done informally outside the official circuits of border-crossing exchange. Such forms of "trans-state regionalism"[39] particularly exist with the near neighbourhood. In-depth literature on this issue is missing, but such informal trade is reported with the UAE, where the traditionally open and only recently completely defined border has been fortified in recent years (not only for this reason, but mostly for illegal migration and arms smuggling). It is even more widely known between the Northern Omani exclave of Musandam and the Iranian coast across the only 55 km wide Strait of Hormuz, which small traders cross daily with their speedboats to Khasab to bring in sheep and goats that are mainly shipped to the UAE and Saudi Arabia and to export electronic products, American cigarettes and other consumer goods. By their nature, these flows are difficult to evaluate but nevertheless further increase the importance of neighbouring countries for trade with Oman.

Relative Trade Intensities

Percentage shares represent well the importance of bilateral and regional trade flows for national macroeconomic aggregates. However, in interpreting regionalisation processes they display some problems. First, they do not take into account the economic "size" of partners: often low intraregional trade shares are deplored in Southern world-regions compared to rather high intra-EU trade; but it is rather unlikely that e. g. Morocco would exchange as much with neighbouring Mauritania than with Spain and other European countries if we consider alone their weight in world trade.[40] Another question therefore is, if we consider the right delimitation of economic (trade) regions for some countries which are not necessarily to be based on pre-established meta-geographies (so Morocco in this respect could possibly be seen rather as part of a West-Mediterranean region than of the Arab world; a similar scenario might be true for Oman). Secondly, in a regional perspective, there is a general problem of scale: the larger the partner region is that we define geographically or institutionally, the larger the trade share will be. Another problem is that trade share values are not independent of country perspective, representing the degree of mutual interconnection, but instead describe primarily unilateral dependence.[41]

Alternatively, in the following I will use "relative bilateral (or regional) trade intensities" (RBTI) which may overcome some of the problems outlined and help to define relevant regions of particularly dense trade inductively.[42] An easy calculation compares the share of trade of another country or

39 See D. Bach, 1998, "Régionalisme et mondialisation en Afrique subsaharienne: le retournement d'un paradigme", D. Bach (ed.), Régionalisation, mondialisation et fragmentation en Afrique subsaharienne, Paris: Karthala, p. 13–24 or D. Bach, 2004, "Régionalisme et régionalisation à travers le prisme de l'aire saharo-sahélienne", L. Marfaing and S. Wippel (eds.), Les relations transsahariennes à l'époque contemporaine. Un espace en constante mutation, Paris, Berlin: Karthala, ZMO, p. 457–479.

40 For the Moroccan(-Mauritanian) case see Wippel, 2008, op. cit.

41 So even if, for example, country A exchanges an important share of 30 % of its international trade with country B, this does not necessarily mean the same vice versa.

42 For trade intensities see H. Flörkemeier, 2002, Functional Regions and the Measurement of Economic Integration, Diskussionsbeiträge 01/02, Albert-Ludwigs-Universität Freiburg im Breisgau, Lehrstuhl für Empirische Wirtschaftsforschung und Ökonometrie, Freiburg; J. A. Frankel, E. Stein and Sh. Wei, 1997, Regional Trading Blocs in the World Economic System, Washington, DC: Institute for International Economics, p. 19 f.; or M. Freudenberg, G. Gaulier and D. Ünal-Kesenci, 1998, La régionalisation du commerce international: Une évaluation par les intensités relatives bilatérales, Document de travail 1998–05, Paris: Centre d'Etudes Prospectives et d'Informations Internationales. Among others, the Asian Development Bank uses them as indicators of integration (cf. *aric.adb.org/indicator.php*; 17/12/2007). However, their calculation needs a wider range of international data (countrywise disaggregated trade figures for partner countries and for world trade) which normally are not contained in national series.

region in national trade (e. g. 40 %) with this partner's share in world trade (20 %). Quotients with values bigger than 1 (here: 2) indicate the existence of "regionalised" trade, this means that the country exchanges more goods with its partner than corresponds to the partner's share in world trade.[43]

Exports

During the first 1981–85 period when Omani exports went to a few destinations only, this resulted in some extremely high trade intensities with these countries: Oman sent about 12 times more goods to Singapore or Kenya, i. e. the share of Singapore and Kenya in Omani exports was more than 12 times higher than their share in the exports of all countries of the world (Table 8). Intensity of exports to Japan was also very elevated (6.6), followed by the Netherlands and Australia (about 2). In the following periods when Oman started to diversify its export destinations, export intensities with these initial partners went down whereas more and new partners showed high values: over the 25 years under observation Yemen, the UAE and Tanzania[44] were the countries to which the most intense export flows went, compared to their economies' weight in world trade (intensity of ca. 20). However since 2000 the still elevated export intensities with these destinations, too, have decreased noticeably.

Table 8: Oman's bilateral export intensities

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
YEMEN, REPUBLIC OF	–	**30.6**	**41.9**	**27.4**	8.2	**20.4**
UNITED ARAB EMIRATES	0.0	**110.5**	**15.4**	**17.4**	**10.4**	**19.3**
TANZANIA	0.0	**26.9**	**29.7**	**34.6**	**11.5**	**18.4**
SOMALIA	0.0	3.9	0.3	8.0	**34.1**	**9.9**
ZAMBIA	0.0	5.4	**14.1**	**24.5**	6.8	**9.7**
THAILAND	0.0	0.1	**5.8**	**15.0**	**12.1**	**9.3**
IRAN, I. R. OF	0.0	5.4	4.7	8.9	11.7	**6.9**
KOREA	0.0	*2.0*	**9.0**	6.7	8.2	**6.6**
KENYA	**11.9**	2.5	5.6	8.0	2.9	**5.8**
QATAR	0.0	**26.2**	2.5	3.8	3.7	**4.8**
JAPAN	**6.5**	0.4	5.5	4.0	3.4	**4.1**

43 The same intensity results from relating the bilateral trade's share in world trade to the product of both countries' shares in world trade; in an extended formula even both countries' share in world GDP and their trade openness can be included. To be accurate a country's international trade should be deducted from world trade to take into account that it does not trade with itself; however, this is only relevant for big trade nations. Value differences according to respective country perspective can exist due to diverging *cif* and *fob* calculations of inward and outward trade flows. To exclude minor statistical biases, I only consider values bigger than 1.1 (or 2 in some cases) in the following exposition.

44 In international statistics there is no separate data given for the semi-autonomous island of Zanzibar that belonged to Oman in the 19th century and still has strong ties with the Sultanate. National Omani statistics, however, show that most of the exports to Tanzania were designated for Zanzibar (which anyhow may not be the final destination, but certainly constitutes an important transit point to the mainland).

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
CHAD	0.0	0.0	0.0	0.5	8.2	**3.8**
CHINA,P. R.: MAINLAND	0.0	0.1	3.1	5.7	3.9	**3.7**
BAHRAIN, KINGDOM OF	0.0	11.5	2.9	2.3	2.9	**3.3**
DJIBOUTI	0.0	1.0	0.2	2.7	7.1	**3.2**
SUDAN	0.0	**11.6**	4.6	2.8	2.2	**3.2**
SINGAPORE	**12.5**	1.8	2.1	0.8	*1.4*	**2.7**
AFGHANISTAN, I. R. OF	0.0	0.1	0.1	0.6	5.5	**2.6**
KUWAIT	0.0	8.0	*1.2*	2.3	2.7	**2.4**
SAUDI ARABIA	0.0	7.7	1.0	2.2	2.9	**2.3**
IRAQ	0.0	5.9	0.0	4.6	3.1	**2.2**
NEW ZEALAND	0.0	0.2	*1.1*	2.8	3.9	**2.2**
BURUNDI	0.0	2.9	0.5	1.1	5.4	**2.0**

Column 2 to 6: *underlined – export intensities bigger than 2; italic – 1.1 to 2.0; bold – top 5 destinations in respective five-year period. The table shows all countries with overall 1981–2005 export intensities bigger than 2. Further figures above 3 (in de-creasing order according to the countries' overall export intensity): Philippines 3.9 (1996-2000); Jordan 3.2 (1996-2000); Central African Republic 4.4 (1996–2000); Libya 3.8 (2001–05); Pakistan 3.8 (1986–90); Sri Lanka 3.5 (1986–90).*

Source: IMF, 2007, op. cit. Own calculations.

Over the whole period Somalia, Zambia and Thailand followed next with average export intensities near 10 and finally became the top three in rank from 2001 to 2005. Other countries to which Oman exported intensely especially during the last 10 to 20 years were Iran, Qatar and South Korea. From four the number of countries with whom very intense export links exist (intensities above 2) grew to 27 between the first and the last five-year period. However, for a range of countries we can observe a heavy fluctuation of intensities which attained values bigger than 2 (or even 1) in only one or two of the sub-periods considered.

Table 9: Oman's regional export intensities

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
INDUSTRIAL COUNTRIES	**1.0**	**0.3**	**0.6**	**0.4**	**0.4**	**0.5**
OECD	1.0	0.3	0.8	0.6	0.6	**0.6**
EU 15	0.5	0.3	0.0	0.0	0.1	**0.2**
Pan-Euromed	0.4	0.3	0.0	0.1	0.1	**0.1**
DEVELOPING COUNTRIES	**0.8**	**2.9**	**2.0**	**2.3**	**2.2**	**2.1**
AFRICA	**0.3**	**0.9**	**1.0**	**1.3**	**0.8**	**0.8**
EAC	6.1	8.4	12.0	14.0	4.9	**8.3**
COMESA	0.7	1.4	1.2	1.8	1.8	**1.4**
SADC	0.0	1.5	2.2	2.4	1.2	**1.4**
African Indian Ocean Rim	1.0	2.3	2.4	2.7	1.8	**2.0**

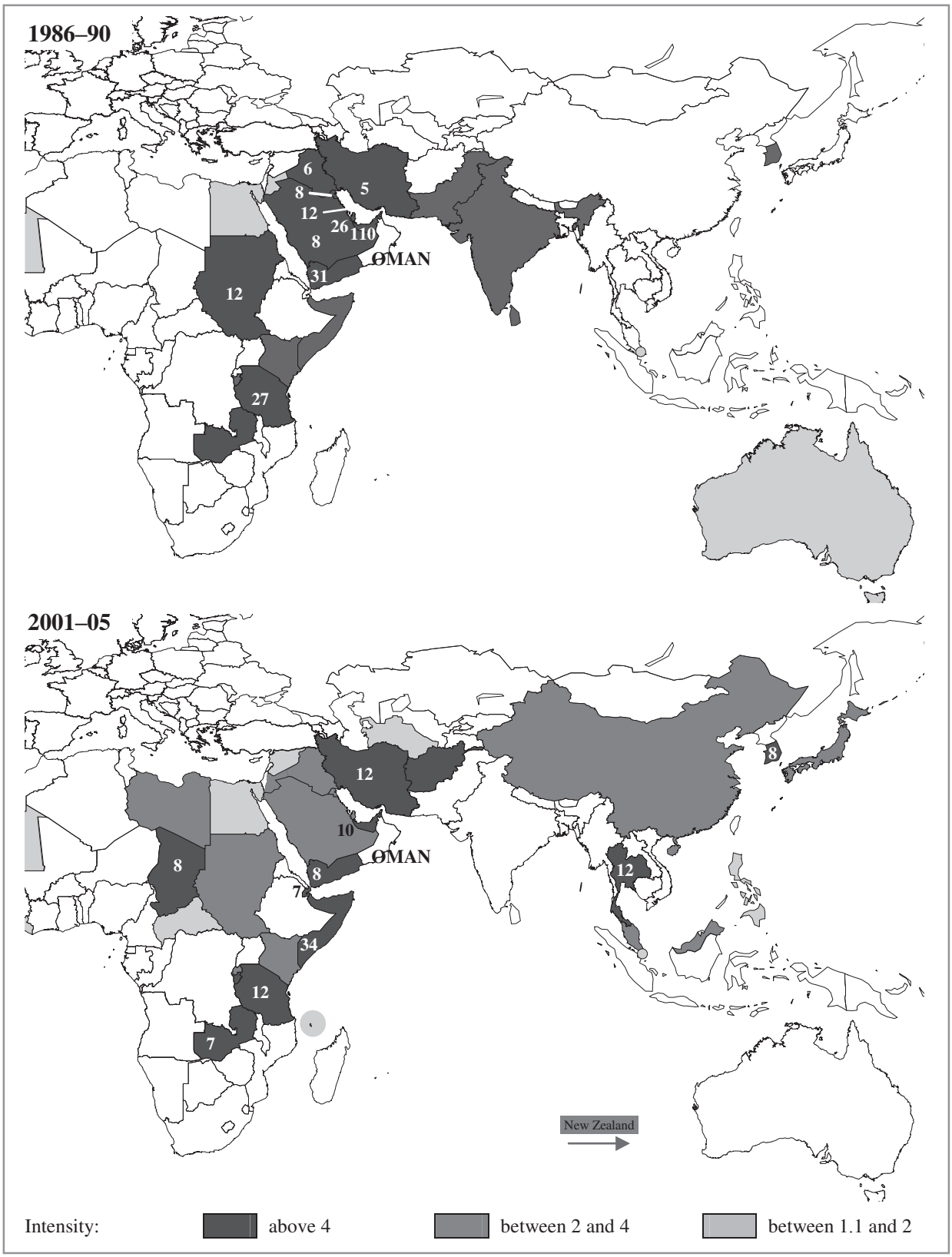
RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
DEV. CTYS: ASIA	**2.1**	**1.2**	**2.8**	**3.2**	**3.2**	**2.8**
SAARC	0.0	2.6	0.6	0.8	0.9	**0.9**
ASEAN	5.0	0.8	2.0	3.4	3.3	**3.0**
East Asia	4.1	0.5	4.4	3.9	3.6	**3.6**
APEC	2.0	0.4	1.8	1.7	1.7	**1.6**
IOR-ARC	2.9	8.5	3.0	4.0	3.8	**4.0**
Indian Ocean Rim	2.7	8.3	2.9	3.9	3.7	**3.9**
Indian Ocean Rim & hinterland	1.4	5.2	2.2	3.2	2.9	**2.8**
DEV. CTYS: EUROPE	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**
MIDDLE EAST	**0.0**	**16.8**	**4.1**	**5.3**	**5.0**	**5.2**
larger MENA	0.0	12.5	3.0	3.7	3.5	**3.8**
AL	0.0	17.3	4.0	5.2	4.2	**5.0**
GAFTA	0.0	20.3	3.6	5.2	4.4	**5.3**
GCC	0.0	35.1	5.9	8.3	6.6	**8.5**
Gulf	0.0	26.6	5.6	8.3	7.3	**7.8**
Arab Peninsula	0.0	34.4	7.1	8.9	6.6	**8.8**
Arab Indian Ocean Rim	0.0	23.9	5.6	7.1	5.5	**6.7**
OIC	0.0	9.9	2.1	2.7	2.9	**2.9**
WESTERN HEMISPHERE	**0.3**	**0.0**	**0.1**	**0.0**	**0.0**	**0.1**
OIL EXPORTING CTYS	**0.0**	**16.4**	**3.2**	**4.9**	**4.7**	**4.8**

COMESA: Common Market for Eastern and Southern Africa; EAC: East African Community; SADC: Southern African Development Community.

Source: IMF, 2007, op. cit. Own calculations.

In a regional perspective, Oman exported to industrial countries (according to IMF definition), and similarly to OECD members) accordingly to their weight in world exports only in the first half of the 1980s (see Table 9). Afterwards it sent far fewer goods than their world average share. Conversely, exports to developing countries became twice as intense as expected according to their share in world exports. Since the mid-1980s, highest regional intensities (with an average of about 5) were shown with the Middle East; concentration was most obvious for the Gulf region/ Arab peninsula (8 to 9), whereas for the larger MENA region export intensity was about 4 and for the whole Islamic world still near 3 (with maxima, also for most of the Gulf countries individually in the second half of the 1980s). Export intensities with developing Asia were elevated, too (near 3), especially with East Asia and the ASEAN, whereas the African continent's share (excluding Libya and Egypt according to the IMF definition) in Omani exports was below its share in world exports. Exports were also intense to Eastern and Southern Africa (values up to 2); but intensities were particularly elevated for exports to the five-member East African Community (12 to 14 in the late 1980s and early 1990s).

Map 6: Intensities of Omani exports



Figures are given for intensities bigger than 6. *Source: IMF, 2007, op. cit Own calculations.*

If we take the Indian Ocean region, export intensity was about 4 (above 8 in the second half of the 1980s when exports were particularly high to countries on the Arab shore), but less intense if we include the wider hinterland. Very intense export trade along its coasts was done with Arab countries bordering the Indian Ocean (intensity near 7). If we look at Map 6, it shows the extraordinary concentration on the Gulf countries in 1986–90[45] plus Eastern parts of Africa and to a lesser extent Southern Asia. For 2000 to 2005 the bend of countries with which outgoing trade was most intense for Oman stretches far more broadly from Eastern and North Eastern Africa through the MENA countries bordering the Indian Ocean and adjacent seas and some land-locked countries to Eastern and parts of South Eastern Asia, but bypasses Southern Asia.[46]

Imports

On the import side, relative bilateral intensities (cf. Table 10) were extremely high throughout the whole 25-year period with the UAE (average of about 40), Bahrain and since the 1990s with Somalia (both 24 each). Other intensive inward oriented flows to Oman came from Pakistan and India, Lebanon and Jordan as well as Cyprus. Here too, figures were far less fluctuating for imports than for exports. The number of Omani partner countries characterised by import intensities bigger than two therefore only rose from 10 to 16 between the beginning 1980s and the early 2000s. After 2000, new partners from where intense import flows came were added, particularly in the former Soviet block (such as Armenia, Ukraine) or Yemen.[47]

Table 10: Oman's bilateral import intensities

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
UNITED ARAB EMIRATES	**18.5**	**41.5**	**51.7**	**52.4**	**36.2**	**39.1**
SOMALIA	*1.8*	0.5	**5.0**	**45.1**	**71.5**	**24.0**
BAHRAIN, KINGDOM OF	**25.3**	**10.5**	**13.5**	**10.6**	**38.5**	**23.6**
PAKISTAN	**6.7**	4.3	**4.8**	**6.9**	5.2	**5.5**
CYPRUS	**7.2**	**5.6**	4.1	4.3	3.0	**4.6**
INDIA	4.1	**5.2**	**4.5**	4.6	4.5	**4.5**
LEBANON	2.2	2.0	2.1	3.7	**6.2**	**3.9**
JORDAN	0.6	*1.4*	2.6	4.4	5.2	**3.5**
BURUNDI	0.1	2.4	2.8	**5.5**	**8.6**	**2.7**
ARMENIA	–	–	0.1	*1.5*	3.4	**2.3**
JAPAN	2.5	*1.6*	2.1	2.1	2.5	**2.2**
UNITED KINGDOM	3.2	2.7	*2.0*	*1.6*	*1.8*	**2.1**

45 The map for 1981–85 would only show five widely dispersed countries (Kenya, Japan, Singapore, the Netherlands and Australia) with export intensities bigger than 1.1.

46 Export intensities above average (i. e. 1) with Southern Asia only existed in the second half of the 1980s when India, Pakistan and Sri Lanka reached values of about 3.

47 Two other extraordinary figures I should point to: Oman showed extremely high import intensity with Botswana in the early 1980s, and elevated, but decreasing values with Cyprus. I suggest that both countries were (respectively still are) transit points for not so politically correct trade with South Africa and with Israel what I cannot prove for the moment, however.

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
BOTSWANA	**19.9**	0.4	2.9	0.2	0.0	**2.1**
AUSTRALIA	*1.2*	***1.9***	2.1	2.3	2.2	**2.1**

Column 2 to 6: *underlined – export intensities bigger than 2; italic – 1.1 to 2.0; bold – top 5 destinations in respective five-year period. The table shows all countries with an average 1981–2005 import intensity bigger than 2. Further figures above 3 (in decreasing order according to the countries' overall export intensity): Ukraine 3.0 (2001–05); Kenya 5.4 (1981–85); Qatar 3.4 (1986–90), 3.1 (1991–95); Tanzania 4.4 (1986–90); Yemen 2.1 (2001–05); Madagascar 5.8 (1996–2000); Myanmar 4.5 (1986–90); Serbia and Montenegro 9.0 (1991–95).*

Source: IMF, 2007, op. cit. Own calculations.

Regionally, on the import side, the Middle East (IMF definition) was again leading with an average import trade intensity of 7, especially since the later 1980s (Table 10). For the larger MENA region figures were slightly lower, whereas imports concentrated on Arab Gulf countries respectively on the Arab peninsula (intensity of 11). With Islamic countries Oman still showed an average import intensity of nearly 4 which has only fluctuated slightly since the late 1980s. In contrast, developing Asia in its entirety never went beyond the threshold of regionalisation, and Africa even less. On a sub-regional level, however, South Asia's share in Oman's imports was relatively constantly four times higher than its share in world imports, whereas import intensities with East Asia went only slightly beyond the value of 1. In contrast, no Sub-Saharan sub-region ever attained above average importance for Oman's imports. Import intensities with the Indian Ocean rim fluctuated slightly around 4; if we include its hinterland they approximately halve. Arab coastal states display an average value of more than 9. For the whole world, Omani imports have become slightly regionalised with developing countries since the mid 1980s, when import intensities with the developed world had definitely fallen under the threshold of 1.

Table 11: Oman's regional import intensities

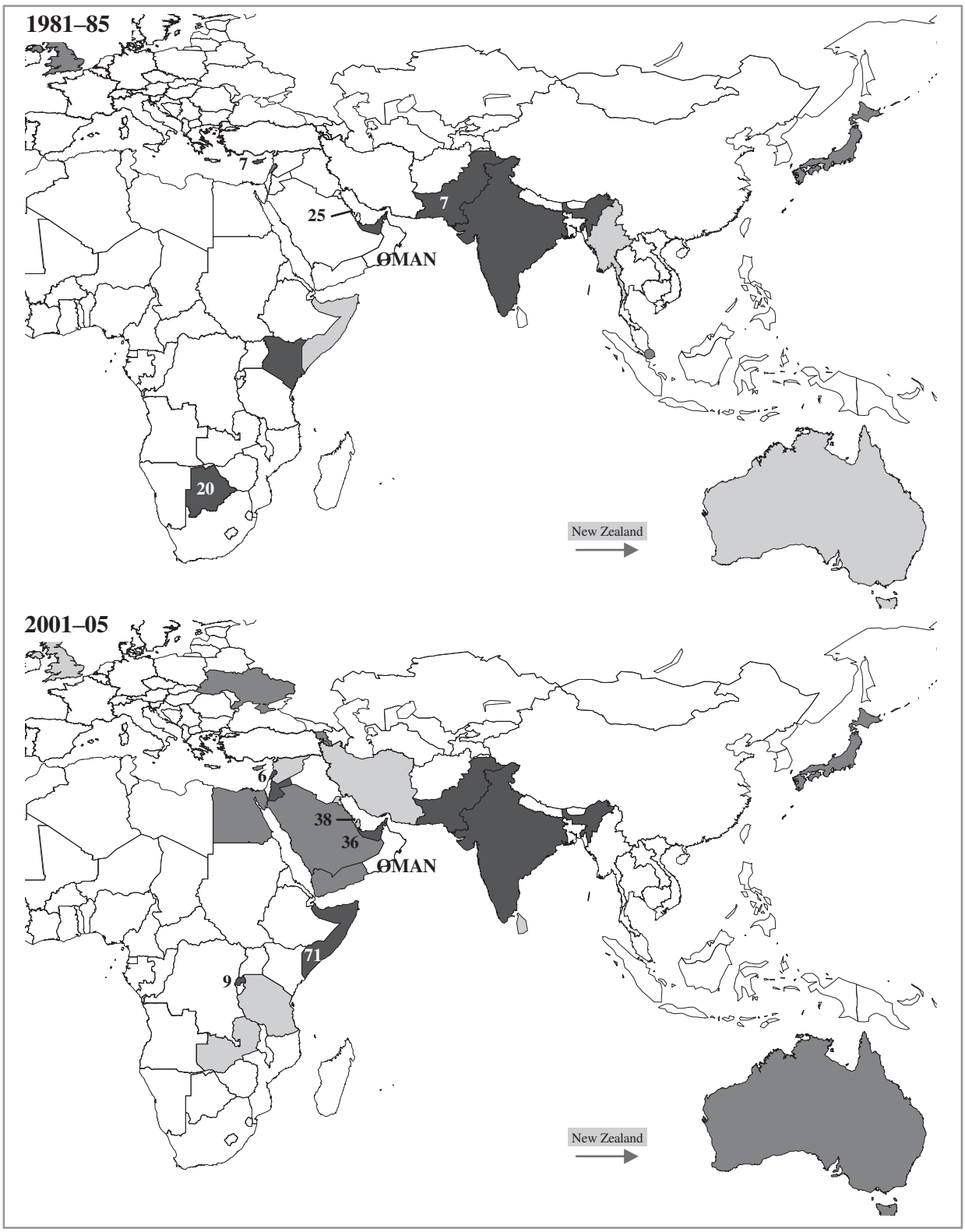
RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
INDUSTRIAL COUNTRIES	**1.0**	**0.9**	**0.8**	**0.8**	**0.9**	**0.9**
OECD	1.0	0.8	0.8	0.8	0.8	**0.8**
EU 15	1.0	0.8	0.7	0.7	0.7	**0.8**
Pan-Euromed	0.9	0.8	0.6	0.7	0.6	**0.7**
DEVELOPING COUNTRIES	**1.0**	**1.2**	**1.4**	**1.4**	**1.2**	**1.3**
AFRICA	**0.2**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**
EAC	2.8	1.7	1.0	0.6	0.6	**1.4**
COMESA	0.3	0.2	0.3	0.6	0.7	**0.5**
SADC	0.2	0.1	0.3	0.3	0.4	**0.3**
African Indian Ocean Rim	0.4	0.2	0.3	0.6	0.7	**0.5**
DEV. CTYS: ASIA	**0.9**	**0.8**	**0.6**	**0.7**	**0.7**	**0.7**
SAARC	4.0	4.4	3.9	4.3	4.0	**4.1**
ASEAN	0.9	0.9	0.6	0.6	0.6	**0.7**
East Asia	1.9	1.1	1.3	1.3	1.2	**1.3**

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
APEC	1.0	0.9	0.9	0.8	0.8	**0.8**
IOR-ARC	3.2	4.4	4.3	4.1	3.9	**4.0**
Indian Ocean Rim	3.3	4.4	4.3	4.2	3.9	**4.0**
Indian Ocean Rim & hinterland	1.8	2.5	2.5	2.4	2.0	**2.2**
DEV. CTYS: EUROPE	**0.1**	**0.2**	**0.2**	**0.2**	**0.4**	**0.3**
MIDDLE EAST	**2.5**	**5.8**	**8.7**	**9.1**	**7.5**	**6.7**
larger MENA	2.3	4.8	7.0	7.4	6.0	**5.5**
AL	2.6	6.2	9.5	10.0	8.0	**7.1**
GAFTA	3.1	7.8	10.6	11.6	9.3	**8.4**
GCC	3.9	10.7	14.2	15.1	11.9	**10.8**
Gulf	3.1	7.8	12.0	12.5	9.9	**8.8**
Arab Peninsula	3.9	10.5	14.0	14.8	11.7	**10.6**
OIC	1.8	3.5	4.6	4.6	3.9	**3.7**
Arab Indian Ocean Rim	3.3	8.3	13.0	13.2	10.4	**9.3**
WESTERN HEMISPHERE	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**
OIL EXPORTING CTYS	**1.7**	**4.4**	**6.4**	**6.6**	**5.3**	**4.8**

Source: IMF, 2007, op. cit. Own calculations.

If we look at Map 7, Omani imports are currently most intense with the North Western Indian Ocean region and South Asia including some dispersed European and other industrialised countries such as the UK, Ukraine, Japan and Australia. However, compared to the early 1980s suppliers are less dispersed and particularly encompass a wider range of Middle Eastern countries.

Map 7: Intensities of Omani imports



Figures are given for intensities bigger than 6.

Source: IMF, 2007, op. cit. Own calculations.

Total Foreign Trade

If we consider Oman's total trade with foreign partners, African countries, countries on the Arab peninsula and around the Arab-Persian Gulf as well as South Asian economies are to be found at the top of the list of relative trade intensities (Table 12). If we take into account informal trade and smuggling, trade intensities with nearby countries will further increase. Especially since the 1990s, other Mashreq and Far Eastern countries are – temporarily or continuously – being added. Contrary to that, states such as Singapore and Botswana have lost their initial importance.

Table 12: Oman's bilateral trade intensities

RBTI (DOT Database)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
UNITED ARAB EMIRATES	**9.7**	**78.8**	**30.6**	**30.8**	**19.4**	**27.0**
TANZANIA	0.1	**24.0**	**25.5**	**29.3**	**10.5**	**16.1**
SOMALIA	0.4	3.6	*1.9*	**19.4**	**46.3**	**14.2**
YEMEN, REPUBLIC OF	–	**21.3**	**30.0**	**17.5**	5.9	**13.7**
BAHRAIN, KINGDOM OF	**7.7**	**12.1**	**6.5**	5.3	**13.8**	**9.8**
THAILAND	0.3	0.5	3.9	8.6	7.4	**5.9**
ZAMBIA	0.0	2.4	**7.1**	**14.8**	5.1	**5.4**
KENYA	**10.4**	2.3	4.0	5.8	2.4	**4.8**
IRAN, I. R. OF	0.0	3.1	2.9	5.2	7.6	**4.2**
KOREA	0.3	*1.4*	5.6	4.2	5.1	**4.2**
DJIBOUTI	0.0	*1.1*	0.2	2.6	6.8	**3.2**
JAPAN	*4.5*	0.9	3.5	2.9	2.8	**3.0**
QATAR	0.5	**12.3**	2.7	2.4	2.0	**2.6**
SUDAN	0.0	9.9	4.1	2.3	*1.4*	**2.4**
AFGHANISTAN, I. R. OF	0.0	0.1	0.1	0.6	6.4	**2.4**
PAKISTAN	*1.5*	4.2	2.0	2.8	2.1	**2.4**
INDIA	*1.3*	3.6	2.3	2.5	2.4	**2.4**
BURUNDI	0.0	2.8	*1.4*	2.6	6.8	**2.3**
JORDAN	0.1	*1.9*	*1.2*	3.7	3.4	**2.2**
SINGAPORE	**10.3**	*1.8*	*1.6*	0.7	*1.2*	**2.1**
CHAD	0.0	0.0	0.0	0.4	3.7	**2.1**

Column 2 to 6: *underlined – trade intensities bigger than 2; italic – 1.1 to 2.0; bold – top 5 destinations in respective five-year period. The table shows all countries with a 1981-2005 relative trade intensity bigger than 2. Further figures above 3 (in decreasing order according to the countries' overall trade intensity): New Zealand 3.2 (2001-05); Saudi Arabia 4.4 (1986–90); Kuwait 4.1 (1986–90); Botswana* ***10.3*** *(2nd rank; 1981–85); Iraq 3.1 (1986–90).*

Source: IMF, 2007, op. cit. Own calculations.

Non-Asian OECD economies rarely display elevated trade intensities with Oman. On the list of top 30 countries only Australia, New Zealand and the United Kingdom appear on the lower ranks; they display intensities bigger than 1 just for some of the sub-periods that were analysed. Oman's trade

with the EU or the larger Euromed region corresponds to less than half their share in world trade; figures with Northern America are even lower (Table 13). With that, good exchange remains by far under the regionalisation limit independent of exports or imports and of time period. The same is true for the Americas and the African continent in their entirety.

In contrast, the GCC (plus Yemen) represents the region with which Oman's trade is most intense (average of 9; five-year-maximum of 23); slightly lower are figures for the whole Gulf region and the Arab Indian Ocean rim (ca. 8). Next comes Eastern Africa (7), followed by the Arab world, especially the Middle East and GAFTA (for all figures of approximately 6)[48], and the Indian Ocean rim/IOR-ARC (4). The Islamic world, East, South East and South Asia also show intense trade with the Sultanate (figures from 3 to 2 in decreasing order). Regionalisation of Omani trade is less intense, but still exists with the African part of the Indian Ocean coast (for some periods also for institutionalised African sub-regions such as COMESA and SADC) and the wider APEC.

Table 13: Oman's regional trade intensities

RBTI (DOT Data-base)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
INDUSTRIAL COUNTRIES	**1.1**	**0.5**	**0.7**	**0.6**	**0.5**	**0.6**
OECD	1.0	0.5	0.8	0.6	0.7	**0.7**
EU 15	0.7	0.5	0.3	0.3	0.3	**0.4**
Pan-Euromed	0.6	0.5	0.3	0.3	0.3	**0.4**
DEVELOPING COUNTRIES	**0.8**	**2.2**	**1.8**	**1.9**	**1.8**	**1.7**
AFRICA	**0.2**	**0.6**	**0.6**	**0.8**	**0.6**	**0.6**
EAC	5.3	6.9	9.0	10.6	4.2	**6.8**
COMESA	0.5	1.0	0.9	1.5	1.5	**1.1**
SADC	0.1	0.9	1.3	1.5	0.9	**0.9**
African Indian Ocean Rim	0.8	1.6	1.6	1.9	1.4	**1.5**
DEV. CTYS: ASIA	**1.7**	**1.0**	**1.9**	**2.2**	**2.1**	**1.9**
SAARC	1.1	3.3	1.9	2.1	2.0	**2.0**
ASEAN	3.4	0.8	1.4	2.2	2.2	**2.0**
East Asia	3.1	0.8	2.9	2.7	2.5	**2.5**
APEC	1.6	0.6	1.4	1.3	1.4	**1.3**
IOR-ARC	3.0	6.9	3.6	4.0	3.8	**4.0**
Indian Ocean Rim	2.9	6.8	3.5	4.0	3.7	**3.9**
Indian Ocean Rim & hinterland	1.6	4.2	2.3	2.9	2.5	**2.6**
MIDDLE EAST	**1.1**	**12.1**	**6.0**	**6.9**	**5.8**	**5.7**
larger MENA	0.9	9.5	4.6	5.2	4.4	**4.4**
AL	1.1	12.6	6.4	7.2	5.6	**5.7**
GAFTA	1.4	15.2	6.6	7.8	6.3	**6.5**

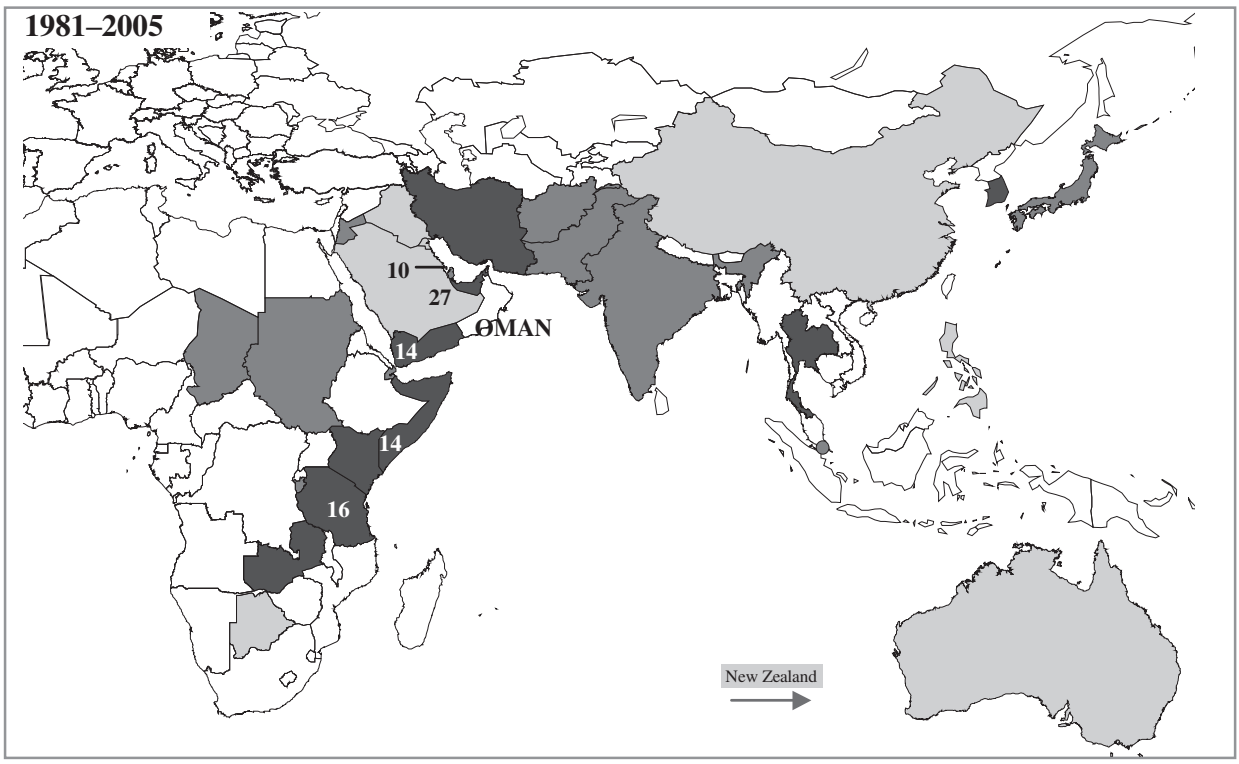
48 Intensities with the larger MENA region are visibly lower (averagely about 4) which is explained by the concentration on the Eastern parts, i. e. the Gulf region/Arab peninsula and parts of the Mashreq.

RBTI (DOT Data-base)	1981–85	1986–90	1991–95	1996–2000	2001–05	1980–2005
GCC	1.9	22.8	9.7	11.1	8.5	**9.1**
Gulf	1.5	17.4	8.5	10.0	8.0	**7.9**
Arab Peninsula	1.9	22.7	10.2	11.3	8.4	**9.2**
Arab Indian Ocean Rim	1.5	17.2	8.8	9.6	7.3	**7.6**
OIC	0.8	7.1	3.1	3.5	3.2	**3.2**
DEV. CTYS: EUROPE	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
WESTERN HEMISPHERE	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
OIL EXPORTING CTYS	**0.8**	**10.1**	**4.7**	**5.5**	**4.6**	**4.5**

Source: IMF, 2007, op. cit. Own calculations.

Finally, Map 8 illustrates Oman's relative trade intensities with the outside world over the whole period of a quarter of a century. Without looking at fluctuations over time (especially on the export side) we discover again a general concentration of trade in comparison with the partners' importance for world trade in countries West, North and East of the Indian Ocean and its three main adjacent seas, as well as on (partly overlapping) Eastern Asia. Extremely elevated intensities (over 4) exist with direct and near neighbours of the sultanate, countries along or near the East African coast as well as Thailand and Korea.

Map 8: Intensities of Omani international trade



Figures are given for intensities bigger than 6. *Source: IMF, 2007, op. cit. Own calculations.*

Final Remarks: Background of Regional Orientations and Conclusion

Even compared to other MENA countries, Oman can be considered a latecomer in institutionalised regionalism. Oman's initial interest in creating the Gulf Cooperation Council in 1981 was primarily just a security concern. Only in the 1990s did its willingness for economic integration begin to grow. Nowadays the Sultanate is a member of the GCC customs union, of the Greater Arab Free Trade Area and of the "shallow" and open Indian Ocean Rim Association for Regional Cooperation. However, regionalism in the Omani case is a four-field-process: Besides integration in multilateral economic associations, indirect "bi-regional" contacts with further regional arenas are mediated by the GCC. Further, contractual relations to individual countries which partly cluster regionally do exist, either via the multilateral Gulf level or through direct bilateral negotiations. However, full free trade agreements have only recently been finalised, are still in negotiation or negotiations are yet being planned with several countries and regional institutions. Even if for the moment no major incompatibilities among the three main regional integration areas seem to exist, in the future we still have to be very attentive with potential inconsistencies of this multi-layered "spaghetti bowl regionalism" in the making. However, the Oman-US free trade agreement already violates a central principle of the existing customs union inside the GCC and makes the total abolition of internal border controls more difficult.[49] In addition Oman has concluded double taxation and investment promotion agreements with numerous countries and established representations fulfilling economic tasks.

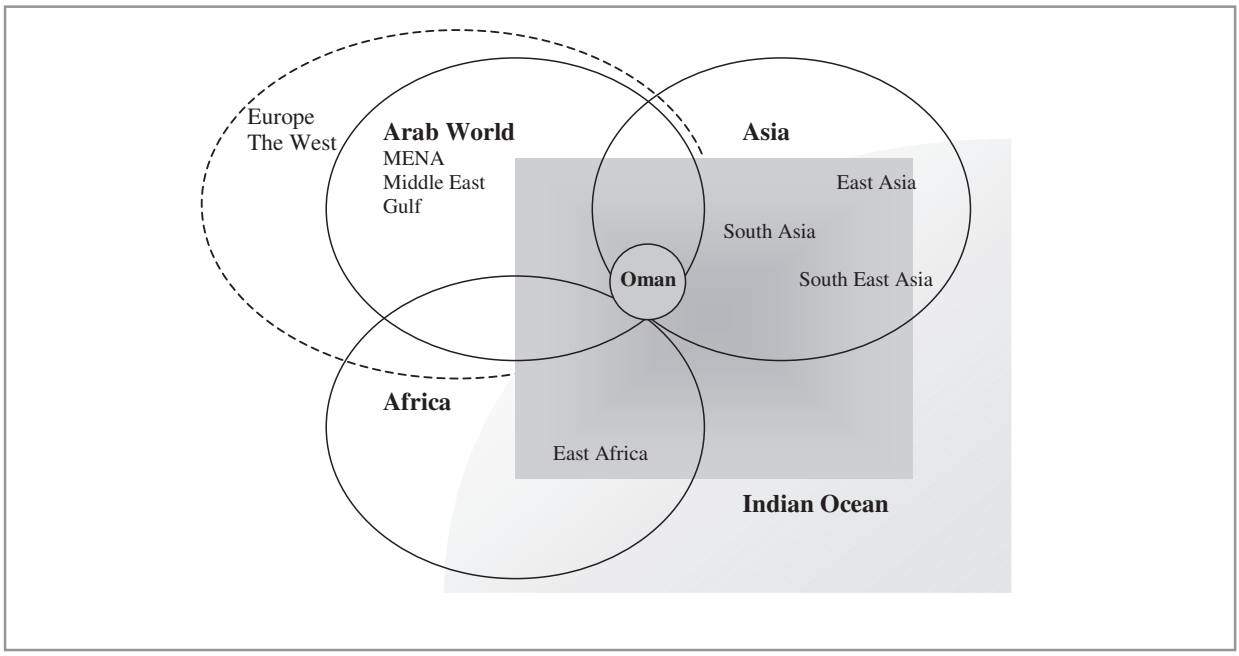
Analysing material links shows that imports are geographically more diversified than exports, which concentrate particularly on East and South East Asian countries. Generally, diversification of trade has increased over time; simultaneously more coherent regionalisation patterns have become more clearly recognisable. The study of percentage shares and of relative intensities results in similar regional concentrations of Omani trade. However, relative trade intensities also consider smaller or more closed countries (especially in Eastern Africa, but also in Southern Asia[50]) with which trade volume "naturally" will not be as large as with bigger trading nations. They accentuate the first results as they point even more to the importance of countries in the immediate neighbourhood as well as East and South of Oman and further diminish the role of European and North American partners. In sum, the Indian Ocean constitutes an important arena of Omani international economic activity including the adjacent Gulf region, parts of the Mashreq and East Asia. Nevertheless, a basic problem is posed by some potential biases in figures: this refers to transit trade, such as is especially done with the UAE (or in the above-mentioned obviously politically motivated cases), which inflates the importance of such partner countries. Also national percentages or intensities explode if hitherto dominant trade partners drop out, which is often linked to the oscillating importance of certain product groups (due to changes in volumes or in prices). Informal trade is another problem that reduces the statistical importance of concerned partner countries.

49 Anyhow, thanks to a limited number of land border posts in the desertic areas (and limited trade with the US) this seems to be a minor problem in practice (according to maps, Oman has four crossing points with the UAE, plus two at the border with its Northern exclave, and recently two others with non-GCC member Yemen).

50 For a long time India had to be considered a relatively closed country. Its share in world trade grew from 0.6 to 0.7 % in the 1980s and 1990s to 0.9 % only after 2000 (calculated according to five-year periods) whereas its share in the global GNI (2007) was more than 2 % (cf. The World Bank, op. cit., p. 352 f.)

Anyhow, considering both processes – institutional and flow –, one of the results will be that Oman is involved in multiform regional processes which not only situate the country inside the Arab world but tie it as well to the Indian Ocean rim, including its bordering seas and its vast hinterland. More details on Oman's international economic links and orientations would be given by complementary investigation on direct investment and firm cooperation when ventures with countries from the Gulf through the Indian subcontinent to Eastern Asia gained some prominence and seem to have grown in importance, too.

Illustration 4: Oman's multiple regional orientations



If we look at the composition of foreign trade, Oman's exports are characterised by a domination of oil.[51] However, to diminish dependence of economic development on hydrocarbons and to prepare for the post-oil age, the Omani government initiated a 25-year programme for diversification of economic activities in the mid-1990s (Vision 2020).[52]

These facts also explain some of the developments in Omani foreign trade. Exports to other oil-exporting countries, especially to its neighbours in the Gulf region, were extremely low in the beginning of the 1980s as export structures were rather similar. When oil prices fell in the mid-1980s, the value of Omani exports went down; parallel to that shares and intensities of trade with neighbouring, mainly oil-exporting countries peaked temporarily. Early, Oman had supplied its oil to

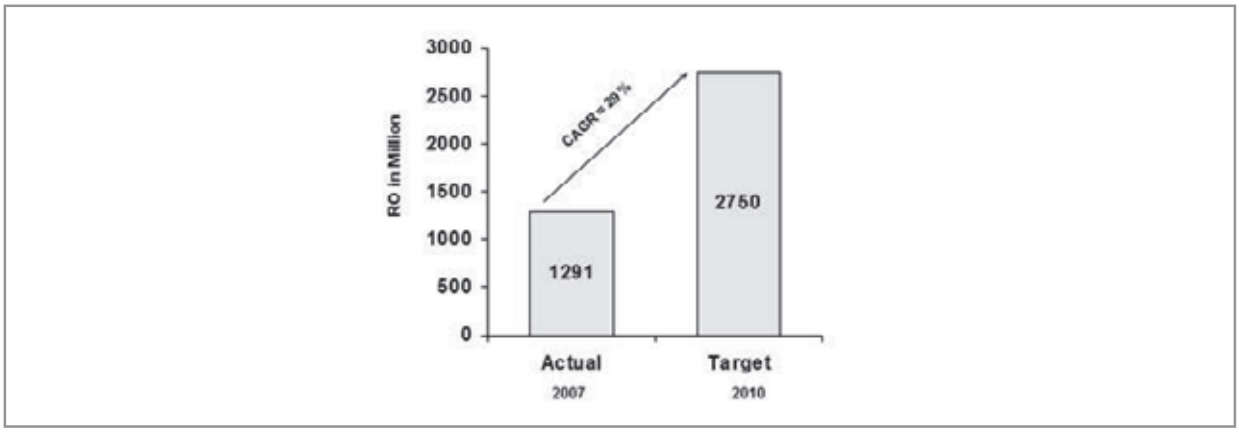
51 In 1990 92 % of all Omani exports were (mostly crude) oil; from 1995 to 2007 the share of oil and gas in exports was fluctuating between 67 and 84 %. In 2007, 58 % of all exports consisted of crude oil, 5 % of refined oil and 12 % of liquified natural gas. See Sultanate of Oman, Ministry of National Economy, 2008, Statistical Yearbook 2008, 36th issue (*www.moneoman.gov.om/book/syb2008/syb2008.htm*; 8/12/2008).

52 See, for example, J. E. Peterson, 2004, "Oman: Three and a Half Decades of Change and Development", Middle East Policy, 11(2), p. 125–137; A. Mansur and V. Treichel (eds.), 1999, Oman Beyond the Oil Horizon, Policies Toward Sustainable Growth, Washington DC: IMF; M. Lavergne, 2002, "L'économie omanaise, de la rente pétrolière à la mondialisation", M. Lavergne and B. Dumortier (eds.), L'Oman contemporain. Etat, territoire, identité, Paris: Karthala, p. 115–148; M. Valéri, 2005, Le sultanat d'Oman en quête d'un second souffle. Un régime aux prises avec la nécessaire diversification de son économie et l'émergence de revendications identitaires, Paris: CERI.

East Asian countries, first industrialising Japan, then to emerging Korea and finally to China, which displayed a growing demand for oil in the context of its rapid economic development. Contrary to that, little oil was exported to European countries, which had further diversified their suppliers since the 1973 oil crisis and developed their own resources.[53] In a second step the analysis of national statistics on non-oil exports will be needed to demonstrate whether their regional pattern differs much from the destinations of all Omani products.

As an oil exporter, Oman's interest in free access to foreign markets was not so well developed. We can probably add to that its problematic pre-1970 past in the 20th century when Oman was repeatedly threatened by tendencies of internal division (imamate-sultanate duality; war and attempts at secession in the Southern region of Dhofar etc.) and followed a policy of closing towards and retiring from the external world. After the current ruler had come to power his first concern was to consolidate national unity, to use oil revenues for socio-economic development and to look for military assistance and cooperation (even on the regional Arab Gulf level) rather than opening its borders.

Illustration 5: Target for non-oil Omani origin exports in 2010



1 Omani Riyal = 2.58 US Dollars. Source: *www.ociped.com/userfiles/image/c1.jpg* (10/12/2008).

Today Oman tries hard not only to diversify its internal economic activities but also the product spectrum as well as the range of partners of its export flow. For instance, the national OCIPED agency developed an "Export strategy for non-oil Omani origin products" in 2007, with a prioritization of 58 products.[54] As a short-term goal it pledged to more than double Omani non-oil exports in the next three years (Illustration 5). With that new destinations emerge whereas others are strengthened. The OCIPED wants to take special advantage of the GCC customs union and the free trade agreements signed with Arab countries and the USA or those soon to be finalised with the EU and India. In addition, the Directorate General of Export Development has identified five target markets where the OCIPED should help develop exports: Yemen, Syria, Sudan, India and

53 For instance, 94 % of Germany's oil supply had come from the Middle East and Africa, mainly Gulf countries, in the mid-1970s, whereas in 2005 the CIS (former USSR) supplied 40 % and Western Europe 30 %, but the Middle East only 7 % and Africa 18 %. The three main suppliers (together 79 %) were the CIS, Norway and the UK. Even in absolute terms, oil supply from MENA fell from its hitherto maximum with more than 100 metric tons reached shortly after the peak of the first oil crisis to less than 10 tons today. Figures according to the author's own calculations based on national and international statistics for an introductory course in Middle Eastern economics at Erlangen University, winter term 2006/07.

54 See *www.ociped.com* and in particular *www.ociped.com/userfiles/file/ex-sum1.pdf* (10/12/2008).

the United States of America. Vice versa, Oman's diverse contractual links, established since the 1990s, or its current (direct or indirect) negotiations with other countries and regional organisations as well as its recently established representations abroad express its interest in trade diversification and in specific regional orientations, especially towards the Gulf region, the Indian Ocean rim and Eastern Asia. At the same time, rhetorically, government institutions and national media regularly refer to the Sultanate's historical links as a maritime empire, a seafaring nation and a multi-ethnic society with the regions around the Indian Ocean, in particular with the Indian subcontinent and Eastern Africa. In contrast, mediated interregional agreements such as they are currently being negotiated by the GCC with the EU, the EFTA or the Mercosur seem to be of minor importance to Oman, as trade with these regions is extremely low, especially compared to their global trade size. However, (except for the US) bilateral agreements also correspond roughly to Oman's more developed and intense trade links.

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