

Oman's Trade Potential with IORA Member States

A group of researchers from the Department of Natural Resource Economics of the College of Agricultural & Marine Sciences at Sultan Qaboos University suggests that it is time for Oman's bilateral trade to exploit new trade opportunities beyond its predefined regional entity, particularly with the Indian Ocean Rim Association countries (IORA). The economists, quoting their latest research project, state that the level of Oman's intra-trade within the MENA region has stagnated and seemed to have reached its potential. This research funded by World Trade Organization (WTO) Chair program hosted by SQU, and done by Abdallah Akintola under the guidance of Dr Houcine Boughanmi, Dr Hemesiri Kotagama and Dr Lokman Zaibet, sought to explore the trade potential of Oman with the Indian Ocean Rim Association (IORA) countries, focusing on both total trade and agricultural trade.

The outcome of the study shows that Oman can benefit from engaging in deeper integration with IORA countries. It is observed that a more solidified bilateral relation with IORA countries would increase total trade (by 55 percent) and agricultural trade (by 90 percent). In addition, the cost of trading, because of deepening integration with IORA (Average Tariff Equivalent) is expected to drop by 10.3 percent and 14.9 percent for total and agricultural products trade respectively. The results support the fact that the level of income, population, geographical proximity and historical linkages are important in explaining bilateral trade flows in IORA. Based on this, Oman would benefit from its strategic location in the Middle of the Indian Ocean to expand its economic space.

The study further shows that Oman still has unexploited trade potential with a majority of the member countries in IORA and can expand its market base thereby benefiting from its strategic location in the Indian Ocean. "Oman still has unexploited export potentials with Australia, India, Indonesia, Madagascar, Malaysia, Mauritius and Sri Lanka. Oman can expand its agricultural exports to Australia, India, Indonesia, Madagascar, Malaysia, Mauritius, Mozambique, Seychelles, Singapore, South Africa, Sri Lanka and Thailand. Therefore, Oman should take due advantage of its proximity to other markets apart from UAE, Somalia, Comoros and Yemen with which it has seemingly exhausted its export potentials", the researchers indicate.

The economists point out that throughout history, Oman trade had inclined towards the GCC



and MENA region that have captured during the last decade around 15% and 40% of Oman's exports and imports respectively. "Over recent times, however the level of intra-trade within the MENA region has stagnated and seemed to have reached its potential. Oman, in order to diversify its economic alliances has been engaged in regional integration schemes with countries beyond the MENA region, including western and eastern countries. Despite traditional and cultural linkage with the MENA or Arab region, Oman has also historically entertained a strong economic and trade linkage with countries around the Indian Ocean which represents a source of potential trade expansion and economic growth", they observed.

The Indian Ocean Region has always been a trade nexus connecting the Asia, the Middle East and Africa and has recently seen key players in global trade showing great interest in the region. In the coming decades, economic and productivity growth in the Indian Ocean region is expected to rise factoring its relative population, growing market and strategic location. Oman has always been regarded as an

enthusiastic founding member that has pushed heavily in enhancing cooperation and trade in the region. Oman has contributed to the establishment of Fisheries Support Unit located in Oman and has provided a large financial share to the association trust fund. It is also home of the proposed Maritime Transport Council in Muscat. Data show that Oman's total export worth of 11.1 USD in 2001 billion has increased over time to reach 32 USD billion in 2015, of which 24% went to IORA countries. Oman's total imports during 2001-2106 period was worth of 232 US\$ billion, of which 47% were supplied by IORA countries.

