Oman's Look to ASEAN

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OPINION | Oman’s Look to ASEAN

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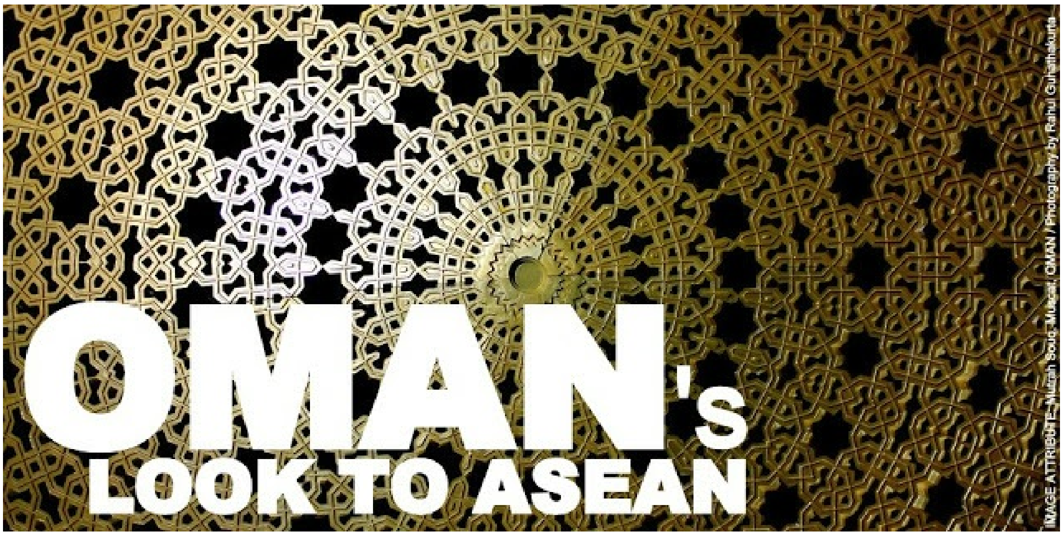

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Unlike other Gulf Cooperation Council (GCC) members, the Sultanate of Oman has a relatively limited relationship with the Association of Southeast Asian Nations (ASEAN). Yet historically, as a maritime mercantile power with an orientation toward the Indian Ocean, Oman has enjoyed commercial, cultural, and political partnerships with countries across the Asia-Pacific region. This legacy, still evident in the vestiges of the Bu’ Saidi Empire of the 17th and 18th centuries and the Non-Aligned Movement throughout the Cold War, enables Muscat to overcome obstacles it would otherwise encounter in strengthening ties with the ASEAN countries.

Oman-ASEAN relations in the modern era date back to the 1950s, yet formal diplomatic relations did not commence until the 1970s and 1980s. The ascendancy of His Majesty Sultan Qaboos in 1970 marked the beginning of Oman’s opening to the world. Unquestionably, nations throughout East Africa and the Indian subcontinent benefited the most from the Sultanate’s opening. But Southeast Asian nations also became of growing interest to Muscat, beginning with Indonesia (1978), the Philippines (1980), Thailand (1980), Malaysia (1983), Singapore (1985), and Vietnam (1992). The establishment of official diplomatic missions by ASEAN countries in Muscat, and by Oman in most Southeast Asian capitals, followed these openings. To this day, Omani-Southeast Asian relations have continued to deepen. This partnership is informed to some degree by different multilateral and organizational frameworks, such as the GCC-ASEAN and the Asia Cooperation Dialogue among others.

Oil and Natural Gas

Over the years, the Sultanate’s relationship with ASEAN has been mainly about energy, although less so compared to the more oil-rich GCC members. Based on the expansion of Oman-ASEAN energy relations, it appears that these limited ties could develop further as Southeast Asian nations seek to diversify their energy sources.

In 2011, Shell Malaysia Trading Sdn Bhd inked a sale and purchase agreement with Oman’s National Gas Co SAOG (NGC) to divest its LPG business in west Malaysia. Petronas, Malaysia’s state-owned gas and oil giant, has also concluded a production and sharing agreement with Muscat for the exploration and selling of liquefied natural gas (LNG) from Block 63 in al-Dhahirah and al-Dakhiliyah regions. In addition, Indonesia's PT Medco Energy International (MEDC) has been operating its wholly-owned subsidiary Medco Oman LLC, which has a 55 percent participating interest in Karim Small Field. MEDC, a publicly listed oil and gas company in Indonesia, was planning to acquire assets in the Sultanate, according to the Jakarta Post. Reportedly, Pertamina, another major Indonesian oil company, was also negotiating with Muscat for the takeover of oil and LNG assets in the region. Meanwhile, Thailand has also expressed interests in developing Oman's refining and storage projects in Duqm, a port town on the Arabian Sea which the Sultanate is developing to become a major regional trading hub.

Indeed, trade is another crucial component of the Oman-ASEAN relationship. As of 2012, Singapore and Thailand each made up 4.4 percent of Oman's total exports. Malaysia and Indonesia's trade with Oman sits at around USD 700 million.Other ASEAN countries trail behind. Yet indicators point to potential for significant growth in the future. In tandem with increasing trade, investments from ASEAN countries to Oman have grown noticeably.

In 2008, Brunei and Oman signed an agreement to establish a USD 100 million investment fund which is shared by the two Sultanates and based in Oman. The fund aims to increase investment opportunities between the two countries, especially in tourism, industrial, and commercial sectors. The MoU set up a joint venture firm, the Oman-Brunei Investment Co., to facilitate investments in infrastructure, tourism, health, telecommunications, and other sectors in both countries, as well as in neighboring markets. Since 2015, Bruneian and Omani sovereign wealth funds have been partnering in a venture, Oman Brunei Aviation Leasing Co., that aims to invest in and manage the purchase and lease of commercial aircraft operated by airlines in the region and beyond.

In addition to a USD 472 million deal for Oman to import frozen chicken from Malaysia, the Omanis have reportedly expanded their investments with Vietnam on different sectors, including power plants, toll roads, water supply, ports and logistics, consumer goods, healthcare, agriculture, and manufacturing. In 2014, the PetroVietnam Insurance Corporation (PVI) and the Oman Investment Fund signed a deal allowing the latter to acquire an approximate 12.6 percent stake of the enlarged share capital of PVI, at USD 1.75 per share, for a total consideration of USD 42.4 million, and to become the foreign strategic investors in PVI.

Oman-Singapore investments amount to USD 320 billion. Singapore has also formed joint ventures with local industries in Oman. In 2012, Singapore's Ministry of Foreign Affairs signed an MoU with the government in Muscat to establish the Regional Institute for Infrastructure Development in Oman, also known as the Singapore-Oman RIID. The institute is aimed to provide a training platform for capacity building among the Omanis. It offers courses in IT, power, water, airport terminal, and port management. The most important joint venture was between Takamul Investment Company SAOC and the utilities arm of Sembcorp Industries of Singapore with the aim of establishing the Centralised Utilities Company. The company will provide a range of utilities to the industrial area of the Special Economic Zone in Duqm.

Partnerships also take place in other fields. For instance, Muscat and Kuala Lumpur have signed a cyber security cooperation. The aim of the MoU is to strengthen partnership on matters concerning risk management, protection of sensitive infrastructure organizations, and the facilitation of training, education, and research. Under the agreement, the Information Technology Authority Oman pledges to help CyberSecurity Malaysia develop a security test laboratory and study the Common Criteria scheme development. Partnership in telecommunications has also been pursued by Telekom Brunei and Oman's Bahwan CyberTek, as well as between the Information Technology Authority of Oman (ITA) and the Infocomm Development Authority of Singapore.

Singapore's local fiber broadband service provider, ViewQwest, has exported its network know-how to Oman, which plans to take fiber links to about 90 percent of homes in Muscat and to 35 percent of the other governorates. Among ASEAN firms helping Oman to set up its infrastructure have been some prominent Singaporean firms such as Hyflux, a technology-driven environmental company, which entered the market in 2009. The company has since built up its resources in Oman, where it has so far won two contracts. In 2014, a consortium of Hyflux and National Power and Water Co. was awarded a USD 250 million contract to design, build, own, and operate an independent water project in Qurayyat. Prior to this, in 2009, Hyflux secured a contract to design and supply a desalination facility for the Salalah Independent Water and Power Project in Oman.

Seeing mutual benefits emanating from their deeper ties, the Omani and Southeast Asians have made efforts to increase investments and joint projects. Indonesia, for example, established a diplomatic representative office in 2010. The Oman Chamber of Commerce and Industry and the Indonesian Chamber of Commerce and Industry have signed a MoU aiming to explore investment opportunities and to increase trade volume between the two countries. Other similar platforms include the Brunei-Oman Joint Committee Meeting, the Indonesia-Oman Business Forum, the Singapore-Oman Business Forum, and the Vietnam-Oman Investment.

It is important to note that this growing partnership is facilitated by the support of legal frameworks, as was the GCC-Singapore FTA in 2009. Some ASEAN countries such as Brunei have also signed a Double Taxation Avoidance Agreement and have held meetings regularly to discuss their cooperation.In 2009, Oman and Malaysia signed an MoU to improve coordination of trade and SMEs. Meanwhile, in 2013, Oman and Vietnam signed an MoU on bilateral consultancy between the two countries' foreign ministries. Under the deal, the two ministries will hold periodical consultative meetings to review the development of their ties. Oman and the Philippines signed the same MoU in 2014. These platforms undeniably strengthen the ties between the two.

Soft-Power Realms

Soft-power exchanges, including people-to-people ties, educational partnerships, and cultural exchanges also shape Oman-ASEAN ties. Although most workers in Oman are from non-ASEAN Asian countries, there is a noticeable ASEAN presence. The workforce includes approximately 40,000 Filipinos, 30,000 Indonesians, and some Thai and Malaysian workers. Most work in construction projects and as domestic laborers, but there are also professionals. It is important to note that Vietnam and Oman have concluded a deal to oversee the entry of more Vietnamese workers in the Sultanate. Interestingly, according to the 2011 list of countries regarded safe for Filipino labors by Philippine Overseas Employment Administration (POEA), Oman was the only Middle Eastern country listed.

In terms of education, some ASEAN countries such as Malaysia have proved to be a popular study destination for Omanis. Reportedly there are approximately 1,300 Omani students in Malaysia. A MoU has also been signed between Universiti Brunei Darussalam with the Sultan Qaboos University, and between Singapore's Temasek Polytechnic and the Omani Higher College of Technology.

Tourism is also on the rise. According to Times of Oman, the number of Omani tourists to Thailand is expected to grow this year to 103,728. In addition to a 30-day tourist visa exemption, Thailand has also offered a multiple-entry visa with six months validity and entitlement to stay for a period of 60 days at a time for Omanis. And for those who wish to get medical treatment in Thailand, they can apply for a 60-day medical tourist visa, which can be renewed for up to six months, depending on supporting documents from hospitals.

Oman's Ministry of Tourism has appointed Singapore-based Stellar Consulting Group to market the Sultanate and boost the number of tourists from ASEAN. To this end, Oman Air has non-stop flights to most ASEAN countries. In fact, the carrier recently received an award in Malaysia. Early last year, the airline also announced a new code share agreement with Thai Airways for flights between Muscat and Bangkok. The Philippines and Oman have also signed a new air agreement to increase the number of flights between the two countries.

The outlook is bright and odds are good that these relationships will grow in the coming years. With some ASEAN countries, such as Brunei, concentrating on developing major clusters in the export-oriented manufacturing and services sectors, Oman's competitive business environment and investment incentives would be beneficial as the Sultanate looks to attract inward investment and promote the export of non-oil products and services. Oman's deep-water Sohar port and adjacent Freezone (situated on the Gulf of Oman in the northwestern part of the Sultanate close to its border with the UAE), as well as the associated free trade zone that is considered among the world's largest developments of its kind, has attracted particular interest from the ASEAN countries.

The ASEAN is also keen to benefit from Oman's expansion of road networks and a railway that will link Sohar Port and Freezone to existing Omani and Gulf transportation corridors extending into the UAE and Saudi Arabia. In the long run, these aspects would provide Oman a competitive advantage over established logistical and transportation hubs in the region.

Geopolitical Dimensions

Oman's geopolitical influence in the Middle East's geopolitical order factors into the future of Muscat-ASEAN relations. Located at the southeastern corner of the Arabian Peninsula on the western side of the Strait of Hormuz, a crucial link between the oil-rich Gulf and the wider Indian Ocean through which up to 40 percent of the world's seaborne oil passes, stability in Oman is in the interest of all Asian nations that depend on the GCC and Iran for energy requirements.

To be sure, Saudi-ASEAN ties have grown significantly in recent years, as have those between the Asia-Pacific region and Iran. ASEAN members have vested interests in deeper links with post-sanctions Iran. Oman, as the middleman in the Riyadh-Tehran rivalry, appears favorable to ASEAN countries, which have repeatedly called for the Kingdom and the Islamic Republic to exercise more restraint. By establishing stronger relations with Muscat, Southeast Asian governments will be in a stronger position to enable the Omanis to push the Saudis and Iranians toward a détente.

Interestingly, ASEAN members see Oman as a nation with shared principles on foreign policy. As Thailand's ambassador to Oman recently stated, the two sides share flexible foreign policies, which the Thais often referred to as "bamboo diplomacy". This expression signifies a foreign policy that is strongly rooted but can also adapt easily to new realities. By pursuing this flexible approach, Oman and the countries of ASEAN are able to pursue beneficial ties with a broad spectrum of nations. Meanwhile, for Oman, ASEAN is a promising target for investment. Moreover, with a significant number of populations, the region is an attractive consumer market for the Sultanate. As the situation in the Middle East remains unstable, it is reasonable to predict that Muscat will continue to look east and to build on its growing ties with the Asia-Pacific region.

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