



## EXECUTIVE SUMMARY

# EXPORT STRATEGY FOR NON-OIL OMANI ORIGIN PRODUCTS

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## **1.0 Background:**

- Omani Center for Investment Promotion and Export Development (OCIPED) had appointed Avalon Consulting in developing a comprehensive export development strategy for non-oil products of Omani origin
- The key Objectives were:
- Plan for achieving the export target set forth in the Seventh Five Year Plan in terms of :
  - Focus product categories (thrust products) and countries (target markets)
  - Opportunities to leverage the GCC Customers Union and various FTAs signed / on the anvil – Arab FTA, FTA with USA, GCC-EU FTA and GCC-India FTA
  - Ways and means to help Omani companies to market their products to the target markets
- Support services required to facilitate the achievement of the target
- Roles of various organizations in providing these support services

### **1.1. The Key Deliverables of the Report Include:**

- Review past performance and the Sixth and Seventh Five Year Plan Documents
- Impact and likely export earnings from large factor based projects
- Prioritization of products and markets, category level target setting and recommendations for meeting targets
- Identification of export support services required among different segments
- Organization support required to provide these services

### **1.2. Summary of Export Performance Review:**

The past five years have seen certain significant developments on the non-oil Omani origin export front...

- There has been dramatic growth and exports have crossed RO 500 Mio for the first time in 2005
- The relevance of re-exports as a source of growth of non-oil exports has waned significantly – future growth will be driven by Omani origin exports
- The fulcrum of export growth has started to shift away from GCC – exports to EU and Asia (especially India) have grown significantly
- Omani origin exports is beginning to reach a critical size and impact the overall performance on the export front
- The essence of the export strategy has delivered results – thrust sectors have grown and factor based projects have started kicking in



## **2.0. Export Targets and Strategy:**

### **2.1. Export Targets:**

Based on the projected GDP growth of 3.5% in the Sixth Five Year plan, the target for the manufacturing sector was set at RO 1780 Mio for 2010. However, the GDP in 2005 exceeded the GDP projected in the Sixth Five Year Plan. At 1988 constant prices, the GDP in 2005 was RO 7081 Mio as against the projected GDP of RO 6685 Mio. Hence, the target for non-oil Omani origin exports needs to be revised from RO 1780 Mio and is estimated at RO 2750 Mio in 2010

The basis for this calculation is:

- 3% CAGR factored on 2005 GDP (constant price) based on 7th Five Year Plan
- 40% value addition in Manufacturing sector based on trends observed between 2003 to 2005
- Exports as a percentage of manufacturing output has been increasing from 40% to 62% between 2003 to 2005. We expect this to increase further given the limited size of the domestic market. On a conservative basis, we have assumed the share of exports to be 70%

Assuming that 30% of the capacity will be utilized by 2010 for down stream ventures that will spring from these mega projects with export focus and a value addition of 50%, the total value addition is estimated at RO 475 Mio (OMIFCO project not considered).

Thus, Export earnings of RO 1.8 Bio estimated from new up-stream and down stream initiatives will enable Oman to move closer to the target

#### **2.1.1 Prioritization of Products and Markets:**

In 2005 there were 58 products each with export values of RO 1 Mio and above, which accounted for over 90% of the total exports of non- oil Omani origin products (excl. LNG). Thus, there was a need to group these products into different export value bands for prioritization and to lend focused support.

These 58 products were prioritized as the following:

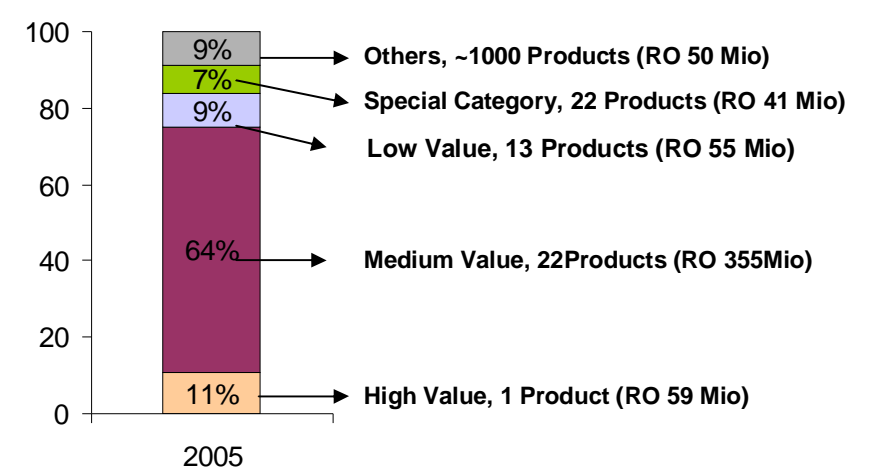
1. High Value
  - Products whose exports are > RO 50 Mio in 2005
  - Large scale projects that do not require any major support from support organizations like OCIPED
2. Medium Value
  - Products whose exports are between RO 5 Mio and RO 50 Mio / in 2005



- Witnessed growth in exports in 2005 & likely to grow rapidly
  - May need support initiatives that are generic like Infrastructure, Trade pact, etc.
3. Low Value
- Products whose exports are between RO 3 Mio and RO 5 Mio in 2005
  - Witnessed growth in exports in 2005 & have the propensity to graduate to the medium band
  - May need product specific support from OCIPED / other entities
4. Special Category
- Products whose exports are between RO 1 Mio and RO 3 Mio in 2005 but having a good growth opportunity
  - Low to medium value products not witnessing growth in 2005 but have the propensity to grow in future
  - May require Product specific initiatives for growing exports

The 22 products falling in the medium value band constituted nearly two-thirds of the total non-oil Omani origin exports (excl. LNG). There was only one product in the high value band, 13 in the low value band and about 22 products in the Special Category band.

*Relative Share of Categories out of Non-oil Omani origin exports of RO. 555 million in 2005*



A detailed analysis of the issues at each product level was undertaken to arrive at a final list of 29 thrust products. The exports of these thrust products accounted for about RO 350 Mio (62% of the total non-oil Omani origin exports in 2005). These 29 Products were:

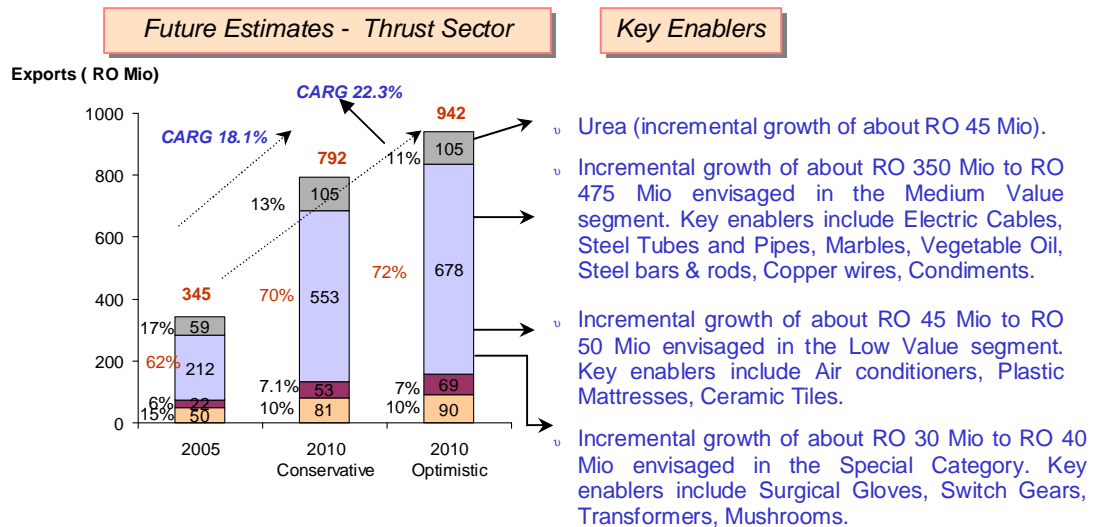


Product	HS Code(s)	Export Value in 2005 (RO Mio)	Thrust Sector Band
Urea	310210	59.07	High Value
Electric Cables	8544	44.74	Medium Value
Steel Tubes and Pipes	7303, 7304, 7305, 7306, 7307	29.50	Medium Value
Marble	251511, 251512, 680210, 680221, 680291, 251741	23.43	Medium Value
Vegetable Oil	1507, 1508, 1509, 1510, 1512, 1513, 1514, 1515	21.80	Medium Value
Steel Bars and Rods	7213, 7214, 7215	21.38	Medium Value
BOPP Films and Products	3919, 3920, 3921	16.04	Medium Value
Aluminium Profiles	7602, 7604, 7606	12.97	Medium Value
Lead Acid Accumulators	850710, 850720	8.88	Medium Value
Copper Wire	7408	8.00	Medium Value
Detergents and Soaps	3401, 3402	7.75	Medium Value
Biscuits and Other Cocoa Products	190530, 19059093, 1806	7.58	Medium Value
Potato Chips	19059080	5.70	Medium Value
Condiments	2103	5.45	Medium Value
Steel Billets		4.50	Low Value
Ceramic Tiles	6908	4.00	Low Value
Metal Furniture	940310, 940320	8.20	Low Value
Plastic Tableware / Kitchenware	3924	3.84	Low Value
Mattresses - Rubber or Plastic	940421, 940429	3.20	Low Value
Air Conditioners	8415	3.00	Low Value
Frozen Fish	0303, 0304	31.56	Special Category
Dates	080410	3.00	Special Category
Containers of Glass	7010	2.63	Special Category
Canned Tuna	160414	2.54	Special Category
Surgical Gloves	401511	2.30	Special Category
Tomato Paste	2002	2.30	Special Category
Switchgears	853710	1.70	Special Category
Transformers	8504	1.50	Special Category
Electric Heaters	851610	1.35	Special Category
Mushrooms	070951	1.10	Special Category
Total		344.58	



### 2.2.1. Future Export Earnings from Thrust Sectors:

Based on a product – wise analysis of the various thrust products, thrust sectors exports by 2010 are expected to realize about RO 800 Mio (conservative scenario) and RO 950 Mio (optimistic scenario)



### 2.3. Future Export Earnings from Other Sectors:

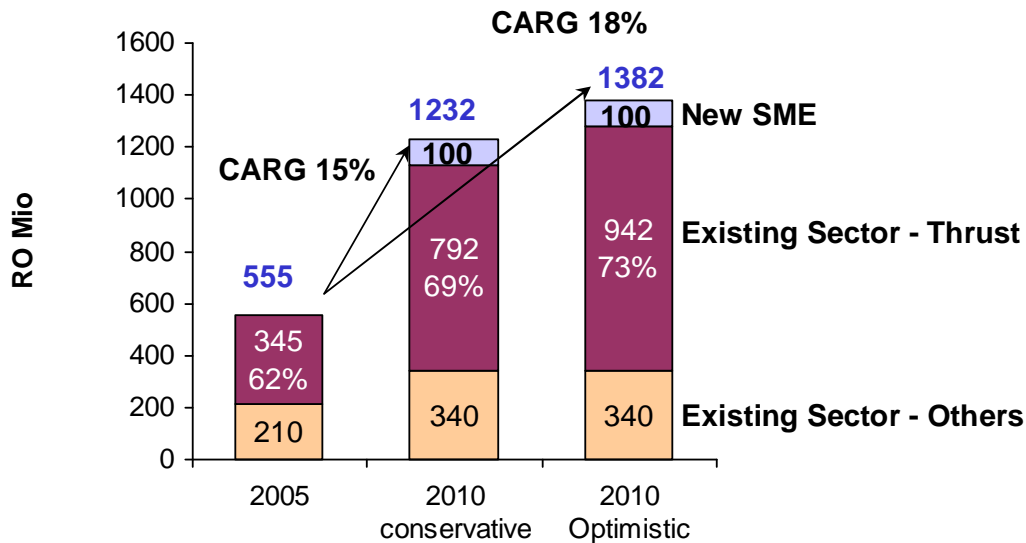
- Non thrust sectors as a category is expected to grow at 10% CAGR and fetch an export revenue of RO 340 Mio in 2010
- Exports potential from other new projects in the SME sector is estimated to generate about RO 100 Mio by 2010

### 2.4. Future Export Earnings from Existing Sectors:

Export Earnings from existing sectors is estimated at about RO 1.3 Bio by 2010. The share of the thrust sectors is reckoned to improve from 62% in 2005 to about 70 to 75%.



**Future Estimates - Existing Sector**



Product-wise Future Targets are tabled below:

Product	HS Code(s)	Export Targets 2010 (RO)	
		Conservative Scenario	Optimistic Scenario
Urea	310210	105	105.00
Electric Cables	8544	137	201.00
Steel Tubes and Pipes	7303, 7304, 7305, 7306, 7307	91	110.00
Marble	251511, 251512, 680210, 680221, 680291, 251741	59	59.00
Vegetable Oil	1507, 1508, 1509, 1510, 1512, 1513, 1514, 1515	55	55.00
Steel Bars and Rods	7213, 7214, 7215	66	80.00
BOPP Films and Products	3919, 3920, 3921	40	40.00
Aluminium Profiles	7602, 7604, 7606	20	20.00
Lead Acid Accumulators	850710, 850720	18	17.00
Copper Wire	7408	25	52.00
Detergents and Soaps	3401, 3402	10	10.00
Biscuits and Other Cocoa Products	190530, 19059093, 1806	10	10.00
Potato Chips	19059080	11	10.00
Condiments	2103	11	11.00
Steel Billets		12	12.00
Ceramic Tiles	6908	10	15.00
Plastic Tableware / Kitchenware	3924	5	5.00
Metal Furniture	940310, 940320	6	6
Mattresses - Rubber or Plastic	940421, 940429	10	10.00
Air Conditioners	8415	10	20.00
Frozen Fish	0303, 0304	32	32.00
Dates	080410	3	3.00
Containers of Glass	7010	9	10.00
Canned Tuna	160414	3	3.00
Surgical Gloves	401511	8	8.00
Tomato Paste	2002	4	4.00
Switchgears	853710	6	10.00
Transformers	8504	5	9.00
Electric Heaters	851610	5	5.00
Mushrooms	070951	4	5.00



## Export Support Requirements

Based on an extensive study, various Export Support Initiatives to be offered by OCIPED – directly or liaising with other support organizations / Ministries with have been tabled below.

The basis of the Export Support Initiatives was the following:

- Needs of Oman industry in terms of export support
- Exporters Feedback on services delivered by Export support entities
- Key learning's from services rendered by leading Trade Promotion Organisations

### 2.5. Product Specific Support Initiatives:

Sr. No.	Sector / Product	No. of Omani Companies	HS Code(s)	Export Value in 2005 (RO Million)	Thrust Sector Band	Export Support Requirements
<b>A. Food &amp; Beverages</b>						
1	Vegetable Oil	2	1507, 1508, 1509, 1510, 1511, 1512, 1513, 1514, 1515	21.8	Medium Value	<ul style="list-style-type: none"> <li>• Tariff reductions in India</li> </ul>
2	Biscuits and Other Cocoa Products	2	190530, 19059093, 1806	7.58	Medium Value	<ul style="list-style-type: none"> <li>• Tariff reductions in Europe, Morocco and India</li> </ul>
3	Potato Chips	2	19059080	5.7	Medium Value	<ul style="list-style-type: none"> <li>• Tariff reductions in Tunisia and India</li> </ul>
4	Condiments	2	2103	5.45	Medium Value	<ul style="list-style-type: none"> <li>• Tariff reductions in India</li> </ul>
5	Mushrooms	1	70951	1.1	Special Category	<ul style="list-style-type: none"> <li>• Oman's competitiveness to US impacted by high import duty (12-14%) on processed mushrooms in the US. The FTA should address this aspect specifically</li> <li>• Need for a cold room / chiller facility at the airport</li> <li>• Air Freight to the EU from most North African countries is subsidized (USD 1/Kg), but from Oman it is not (USD 2.5/Kg). Subsidy on Air freight would help boost exports of Omani Mushrooms</li> </ul>
6	Dates	3	80410	3	Special Category	<ul style="list-style-type: none"> <li>• Omani dates attract a higher valuation by India Customs than the UAE dates - They are considered premium products and hence are valued at about \$300-400/tonne whereas UAE dates are valued at about \$150/tonne. Date Exporters have expressed the requirement for negotiations with Indian Customs to solve this issue.</li> </ul>



Sr. No.	Sector / Product	No. of Omani Companies	HS Code(s)	Export Value in 2005 (RO Million)	Thrust Sector Band	Export Support Requirements
7	Canned Tuna	2	160414	2.54	Special Category	<ul style="list-style-type: none"> <li>Tariff reduction initiative in EU.</li> </ul>
8	Tomato Paste	3	2002	2.3	Special Category	<ul style="list-style-type: none"> <li>Need for details of institutional buyers in Arab and African markets</li> <li>Co-sponsorship for participating in international fairs on food sector</li> </ul>
<b>B. Chemical Products</b>						
9	Detergents and Soaps	3	3401, 3402	7.75	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in East Africa</li> <li>Need focused support in generation of active leads in certain European countries such as Italy, France and Netherlands</li> <li>Trade delegation to these countries to be contemplated</li> </ul>
<b>C. Plastic Products</b>						
10	Plastic Tableware / Kitchenware	2	3924	3.84	Low Value	<ul style="list-style-type: none"> <li>Tariff reduction in India</li> <li>Frequent buyer seller meets needed</li> </ul>
11	Mattresses - Rubber or Plastic	2	940421, 940429	3.2	Low Value	<ul style="list-style-type: none"> <li>Low Value Tariff reduction in India</li> <li>Leads into prospective buyers</li> </ul>
12	BOPP Films and Products	1	3919, 3920, 3921	16.04	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in the US, India and the Far East</li> </ul>
<b>D. Non-Metallic Products</b>						
13	Marble	4	251511, 251512, 680210, 680221, 680291, 251741	23.43	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in India and the Far East</li> <li>No new marble factories to be allowed permission atleast for a few years - until the existing companies recover their investments</li> <li>Need for permits from the Ministry of Commerce &amp; Industry for marble companies to invest in new quarries</li> </ul>
14	Ceramic Tiles	2	6908	4	Low Value	<ul style="list-style-type: none"> <li>Details of prospective buyers.</li> </ul>
<b>E. Basic Metals</b>						
15	Copper Wire	1	7408	8	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in the EU</li> </ul>



Sr. No.	Sector / Product	No. of Omani Companies	HS Code(s)	Export Value in 2005 (RO Million)	Thrust Sector Band	Export Support Requirements
<b>F. Fabricated Metal Products, Machinery, Equipment, Metal Furniture and Recycling Products</b>						
16	Electric Cables	1	8544	44.74	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in the US</li> <li>Negotiation with the UK Customs, to reduce the value addition norms required for zero duty – It is almost impossible for Electric Cable manufacturers to adhere to those norms</li> </ul>
17	Steel Tubes and Pipes	1	7303, 7304, 7305, 7306, 7307	29.5	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in India, China and Thailand</li> </ul>
18	Aluminium Profiles	1	7602, 7604, 7606	12.97	Medium Value	<ul style="list-style-type: none"> <li>Tariff reductions in India</li> <li>Detailed Market studies in Indian and African markets</li> </ul>
19	Steel Billets	1		4.5	Low Value	<ul style="list-style-type: none"> <li>No Specific support solicited</li> </ul>
20	Metal Furniture	1	940310, 940320	8.2	Low Value	<ul style="list-style-type: none"> <li>No Specific support solicited</li> </ul>
21	Containers of Glass	1	7010	2.63	Special Category	<ul style="list-style-type: none"> <li>Exporters are banned from using local sand for glass manufacturing. Thus, sand is imported from Saudi. It is required that this ban should be lifted</li> </ul>
22	Switchgears	2	853710	1.7	Special Category	<ul style="list-style-type: none"> <li>Buyer Seller Meets</li> </ul>
23	Transformers	2	8504	1.5	Special Category	<ul style="list-style-type: none"> <li>Buyer Seller Meets</li> </ul>
24	Electric Heaters	1	851610	1.35	Special Category	<ul style="list-style-type: none"> <li>Detailed market study of select African markets (Tanzania, Kenya, Libya etc.) to assess the realistic potential, competition intensity, price structure, etc.</li> <li>ECGA cover to include non-payment by the buyers</li> </ul>
<b>G. Other Industries</b>						
25	Air Conditioners	1	8415	3	Low Value	<ul style="list-style-type: none"> <li>Manual on customs inspection / documentation procedures across GCC markets (road transport)</li> <li>Updated database of retailers, leading builders in UAE / other GCC markets for direct marketing</li> </ul>
26	Surgical Gloves	1	401511	2.3	Special Category	<ul style="list-style-type: none"> <li>Need for details of buyers in US and EU for "Powder Free" gloves since it is a new product launch and demand attractive in US and the EU</li> </ul>
27	Lead Acid Accumulators	1	850710, 850720	8.88		<ul style="list-style-type: none"> <li>Tariff reductions in India</li> <li>Support needed to reduce / resolve EU value addition norms since meeting the stipulated 40% value addition norm is difficult. In the absence of the same, exports to EU attract 4.5% duty. Rule of regional accumulation (GCC) instead of origin along the lines extended to ASEAN should be negotiated</li> </ul>



## **2.6. Support Initiatives for Small Sized Companies:**

Small export companies (passive exporters) need to be nurtured and transformed in order to intensify the export focus of the manufacturing sector. OCIPED is advised to establish contacts with such companies and help in identifying markets to focus upon and generating export leads

Discussion with some of these exporters, indicate that there is an urgent need to:

- Understand the product focus of these exporters and help them in identifying markets to focus upon
- Generate a database of possible buyers in these markets
- Organize country visits for these companies and help in business match making exercise