

Comments on Iran in Times of Oman, Apr 11, 2015

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Iran nuclear deal to boost Oman's economy

Under the Iran framework deal, the negotiating parties have time until June 30 to agree on the details, but economists and traders in Oman, who played a vital role in clinching the deal, are already optimistic about the future.

"The agreement between Iran and the major world powers opens a wealth of opportunities for the entire region and in particular for Oman," Fabio Scacciavillani, chief economist at the Oman Investment Fund (OIF), told the Times of Oman.

"Oman could offer an ideal platform for engaging Iranian business and Omani companies would have a natural advantage in dealing with their peers on the northern shore of the Arabic Gulf. Oman, in other words, could be the preferred channel for the integration of Iran in the global economy," said Fabio while adding that Iran is a country with a large population, conspicuous energy reserves, notable financial means and a large pool of skilled professionals.

Iran and six world powers, which include China, France, Russia, United Kingdom, United States and Germany, last week agreed to a path that would block Tehran from developing nuclear weapons for up to 25 years, with severe limits for the first decade.

But it was still unclear how two of the major sticking points in the final days of negotiations would be resolved. According to the latest statistics from Oman's Ministry of Commerce and Industry, Oman's imports from Iran during 2013 stood at OMR215.77million, a 172.2 per cent increase over 2012 figure of OMR79.26 million.

Omani exports (including re-exports) to Iran totalled OMR124.26 million in 2013, an increase of 8.4 per cent from OMR114.67 million worth of exports in 2012. The bilateral trade stood at OMR340.035 million in 2013, compared to OMR193.93 million in 2012.

Last October, six memorandums of understanding (MoUs) were signed between Omani and Iranian trade organisations to boost commercial ties between the two countries. An economist in the region said that with sanctions removal and détente, trade is likely to rapidly exceed pre-sanction levels, benefitting the GCC overall.

“Amongst the GCC nations, prior to the sanctions, the UAE was the main trading partner for Iran, thanks to the emergence of Dubai as a key re-export hub. With removal of sanctions and détente, trade is likely to rapidly exceed pre-sanction levels, benefitting the GCC overall. Détente with Iran and resulting stabilisation in Iraq would mean infrastructure and reconstruction expenditure of some \$1.3 trillion, a major boon and boost to the region’s economies,” said Nasser Saidi, president of Nasser Saidi & Associates in Dubai and former chief economist of the Dubai International Financial Centre.

“The GCC can also benefit from Iran’s agricultural and industrial potential, while Iran can benefit from the GCC’s services sector, logistics infrastructure and capital for investment,” added the economist. “If the parties agree upon the deal and move ahead, being a neighbouring country, Oman can benefit a lot, especially in the industry and manufacturing sector. In the field of experience and technology both the countries have a lot to share and benefit,” MC Jose, CEO, Projects and Logistics at Khimji Ramdas, told Times of Oman.

“There are chances of oil and gas trading also,” added the official.

Iran’s oil and condensate exports had dropped from 2.5 million barrels a day in 2011 to 1.1 million barrels a day in 2013 because of sanctions.

Exports recovered marginally to around 1.27 million barrels a day in 2014 after an interim deal was signed.

Energy aspects estimates discharging floating storage alone could increase Iranian oil exports to 1.3 million to 1.4 million barrels a day.

If sanctions are lifted, Iran could supply another 1 million to 1.2 million barrels of oil a day by next year, adding to the global oversupply and pressuring oil prices. Although Iran’s oil sector will struggle to recover to its full production capacity, there is enough potential supply for

other OPEC and global oil producers to contend with in the coming months.