

# The Research of Economic and Trade Relations between the Sultanate of Oman and China

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**Abstract**—China has always maintained a friendly economic and trade cooperation with the Middle East countries, its bilateral trade and cooperative relations can be said to have a long history, especially the Sultanate of Oman, the first Middle East country to deliver oil to China. The two countries have become increasingly close and have ties that go well beyond, oil cooperation particularly with the rapid development of China's economy in recent years. The main two nations that this study is mainly focuses on are the Sultanate of Oman and China. The Sultanate of Oman is very rich in energy resources including water, oil, gas and more resources. These makes Oman become the most sensitive country in the eyes of the Chinese market. With the rapid development of Chinese economy, energy resources shortage is becoming more and more serious. In this situation, the economic and trade relations between the Sultanate of Oman and China is very solid because of complex situation in both countries, and a result, they can help each other through economic and trade relations. There are certain degrees of development opportunities but also facing challenges. Based on the discussion of the favorable factors to promote economic and trade, analyzing of the current development in economic and trade, analyzing the problems that exist and trying to give effective solutions and suggestions to further strengthen the rapid, healthy development of economic and trade relations between China and the Sultanate of Oman.

**Index Terms**—China, Sultanate of Oman, Economic and Trade relations, Present situation, Problems; Suggestions

## I. INTRODUCTION

Omani-Chinese relations are deeply rooted and witnessing remarkable developments in various social, economic, cultural and other fields. The two countries always seek to enhance co-operation entering into joint agreements, investments and intensifying visits. These efforts results in real partnership between the Sultanate and China which represented in opening the field for Chinese investments in the Sultanate in a number of fields including oil, gas, petro-chemicals and telecommunications. Follow below are some of the past and present highlights in the relationship between the two aforementioned nations in this study.

### *Early Years*

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Although Chinese-Omani contact has been dated back to ancient times, it was only May 1978 that the two countries established official diplomatic ties. In early years the relation between Muscat and Beijing reflected China's overall foreign policy in the region. Beijing's fear of Moscow particularly following the latter's invasion of Afghanistan had promoted it to strengthen diplomatic ties with the countries in the gulf. By the early 1980s, China began to view Oman not only in term of its strategic significance but also as a country with abundant oil resources. The need to secure long-term energy supplies led the Chinese to revamp its foreign policy towards the region, and in 1983, Oman became the first Arab nation to export oil to China.

### *Agreement*

The two countries have also organized several business delegations and signed a number of trade deals. More than forty Chinese enterprises operate businesses in the Sultanate, and the Omani-Chinese Friendship Association was formed in 2010. The two countries are benefit from signing agreements to make it easier for their trading without any hassle or difficulties during the trading process. Without agreements of trading between Oman and China, there will be a huge problem of exporting and importing of products. Therefore, signing agreements it's a smart thing to do for both countries.

### *Assistance*

When the devastating Sichuan earthquake struck China in May 2008, Oman offered assistance that included the construction of 350 units of residential housing as well as medical and education facilities, which were completed in 2010. Another good relationship shows here is when China has invested approximately 600 million dollars in several sectors in Oman, including oil and petrochemicals, and has spent money to train Omani engineers and upgrade the efficiency of petroleum extraction.

### *Culture*

Culture exchange is also on the rise. In 2007, for example, the two countries inked an agreement to establish a chair of Arabic at China's Peking University. Oman also ran a successful pavilion at the 2010 Shanghai Expo in China, receiving more than three million visitors. Showing of Oman's culture and commodities in the Expo was an amazing way of showing Chinese more of Oman. Meanwhile, several Chinese artists have taken part in the annual Muscat Art Festival.

### *Education*

Since education is the key to success, people try and grab every chance that comes along to reach and achieve their dreams. In terms of study life this is a good opportunity for Omani to have free educations since the Chinese government is paying everything such as tuition fees, accommodations,

monthly allowance, health and insurance and more. This is a great opportunity for people of Oman to study abroad and not worried of spending more money on education, since the government of China is responsible for studying tuition. In this case, it is an advance chance for Omani people to experience, explore and understand more of Chinese education system as well as more important stuff. China offered scholarship every year, nowadays, more and more Omani study in the mainland and they even found jobs.

### II. STAGE ANALYSIS OF FAVORABLE FACTORS TO PROMOTE THE DEVELOPMENT OF ECONOMIC AND TRADE RELATIONS BETWEEN OMAN-CHINA

#### A. Bilateral investment market potential

##### □ Market potential for investment in the Sultanate of Oman

As we all know, the Sultanate of Oman and China are both developing countries, economic development is the core advance of each country. Opening opportunities to the outside world is an important means of bilateral economic development. In the 21st century, the Sultanate of Oman and China's economic development level has been significantly improved; the bilateral investment environment has also undergone great improvement. Attracting foreign investment is the main aim of these two nations for the long run especially when they both needed and depended on each other for the economic trade. The Sultanate of Oman and China's economic cooperation is steadily strengthened and with the bilateral broad investment market potential is inseparable.

The Sultanate of Oman has rich energy resources and its market has been developed since then. The Omani market is full of opportunities and wide vision of long run relation. They see the world economic development situation has been developed for the common market efforts to attract foreign investment and promote trade policies, open up new contracting market, need to develop and focus more on energy resources market as a broad investment potential and the Chinese enterprises are very optimistic about the investment area.

In addition, The Sultanate of Oman is lack in labor resources, so they depend heavily on imports from China, as the Chinese are able to fill this huge market demand from the Omani. Therefore, the market potential for the two nations is enormous.

##### ② China's investment market potential

China's current economic development from the point of view also has a good investment and development space. In recent years, China's comprehensive national strength has been continuously strengthened, economic growth is very rapid, and the degree of opening to the outside world has been deepening. China has a great potential to expand its economy and the development of its economic and trade relations played an important role. This is mainly refer to the rise of China's oil consumption which will certainly have a good impact on the economic development for the Sultanate of Oman being a largest overseas oil sales market.

In addition, the implementation of the western development process, the Chinese government's policies for foreign investment is very loose, especially for foreign investment in energy, infrastructure and other projects. The Sultanate

enterprises to enter the Chinese market provide a great solid economic foundation between the two countries. On the other hand, although the Sultanate is well-funded but its own market consumption is limited. Therefore, Chinese big markets are one of their best export-earnings and very promising.

In general, the Sultanate and China's vast market potential and space for bilateral economic and trade relations are inseparable.

#### B. Strong bilateral economic level

##### ① The Sultanate of Oman's economic development level

The economic development of a country is generally driven by a handful of industries (or in many cases by a single industry) that boosts the economy forward. In the case of Oman's economy, growth has been a function of the discovery, production and sale of the most abundant natural endowment in the region—oil. Much of the development and growth in Oman's economy is due to oil exports that have driven an increase in government revenue and therefore an increase in imports. Invariably this has led to an improved standard of living for the citizens of Oman. Unfortunately, the oil reserves within Oman (like Bahrain) are being washed out, and thus Oman is looking to diversify its economy to counter the expected decline in revenue from oil exports. Oman's initial development strategy from the mid-1970s to mid-1990s recognized the vulnerability that the depletion of oil would have on the broader economy and involved supplementing various sources of national income to replace the decline in oil revenue. The industries targeted included manufacturing, mining and agriculture. The objective was also to ensure that government spending was evenly spread across various regions. Health, education and employment were also targeted. Oil revenue was to be carefully managed to prevent a rapid depletion of reserves and at the same time ensure that it was carefully invested in other industries for higher returns. In all, it appears that the economic reforms were well ahead of their time by recognizing the perils of not diversifying the economy to generate additional national revenue.

The Omani economy grew approximately 5.5 percent year over year between 2000 and 2005. This rate is comparable to other Gulf nation economies that are dependent on the export of oil and gas. Oman's non-oil economy continues to grow and gather momentum. The growth of these industries reduced the rise in currency appreciation that other oil-exporting economies experienced during the oil boom. As with other countries, Oman is competing for Foreign Direct Investments (FDI), which almost tripled to around 600 million OR (Omani rial) by 2005. This figure has reached over 1 billion OR, incorporating foreign investments in infrastructure and part ownership of assets sold by the government. While the modern economy of Oman began with the export of oil, now the economy is assisted by the production and demand for its other natural resource—gas. Economists forecast that there will be rising domestic demand for gas consumption within Oman. This rise in demand is fueled by the increase in industrial activity and the growth of the middle-income population that demand the use of white goods and electricity-consuming devices. Other industries such as iron and steel have also benefited from the increase in gas (and oil) production within Oman.

Oman's economy continues to develop and is ranked highly among Gulf nations. While the economy has grown in several phases, the main drivers of growth have been the reforms that were implemented by successive governments and the continuation of authority within Oman. Despite these improvements, there are several factors that still continue to hinder a more rapid growth within the economy. These include the equitable distribution of wealth and income across all provinces. There are also large parts of the country that are isolated due to the lack of development of infrastructure. Nevertheless, Oman's economic development has come a long way since the 1970s.

### ② *China's economic development level*

China, economically extremely backward before 1949, has become one of the world's major economic powers with the greatest potential, and the overall living standard has reached that of a fairly well-off society. In the 22 years following reform and opening-up in 1979 in particular, China's economy developed at an unprecedented rate, and that momentum has been held steady into the 21st century. In 2004, the government further strengthened and improved its macro control, and the economy entered its best ever development period of recent years. The gross domestic product (GDP) for 2004 amounted to 13,687.59 billion yuan, 9.5 percent higher than the previous year.

China adopts the "five-year-plan" strategy for economic development. The 9th Five-Year Plan (1996-2000) was outstandingly successful, and the 10th Five-Year Plan (2001-2005) mapped out the first plan for the new century, setting these main targets:

Sustaining fairly rapid growth, strategic restructuring, improving the quality and benefits of economic growth so as to lay firm foundations for doubling the 2000 GDP by 2010; substantial perfection of the socialist market economy and putting state-owned enterprises on a modern enterprise footing, thus allowing greater participation in international cooperation and competition.

GDP to reach 12,500 billion yuan, and per capita GDP 9,400 yuan by 2005 (at 2000 prices assuming annual economic growth of around 7 percent). A marked improvement in quality of life, with 5 percent annual growth in the disposable income of urban residents and in the net income of rural residents; keeping the registered urban unemployment rate stable at around 5 percent; maintaining generally stable prices and basically balancing international revenue and expenditure.

Optimizing and upgrading the industrial structure to sharpen China's competitive edge. By 2005, the added value of the primary, secondary and tertiary industries will account for 13 percent, 51 percent and 36 percent, respectively, of GDP; employing 44 percent, 23 percent and 33 percent, respectively, of the labor force. Further improvement to infrastructure, increased urbanization and bringing the widening development disparity between regions under effective control.

Most of these targets have already been achieved ahead of schedule. At present, the government is drafting the 11th Five-Year Plan (2006-2010).

### C. *Bilateral economic and trade structure is complementary*

#### ① *Productivity Complementary*

There is a big difference of China and the Sultanate of Oman's economic structure which provides bilateral economic and trade cooperation. There are a lot of complementary advantages between the two countries. Energy resources and petrochemical products are the main pillars of the Sultanate of Oman's economic development. The vast majority of the Sultanate of Oman's food, machinery and equipment, production equipment and building materials need to import from abroad.

China is a large agricultural country with an annual grain output of about 60,200 Ton (2013), it viewed as the world's grain exporting country. In addition, with the continuous improvement of China's economic development level, its production equipment is also more and more advanced, textiles and chemical products are also the main export commodities.

In this situation, two nations complement together in production of goods and services that they both wanted for better economy. The Sultanate of Oman needs machinery and equipment from China for the continuous production of oil to export to China. Less chemical products and resources for production lead to less oil and less revenue for both countries.

#### ② *Labor Resources are Complementary*

Lack of labor resources in the Sultanate of Oman encouraged a large number of foreign labors from abroad. These labor structures contains a number of industry professionals, such as construction workers, senior management, medical personnel, scientific experts, as well as some unskilled workers, etc., covering a very wide range of jobs.

China is the world's most populous country; its labor resources are very rich in recent years. Labor cooperation between China and foreign countries has always been one of the focuses of its foreign trade and economic cooperation. Both construction workers also is the health care management personnel, the Chinese talent development mechanism has been quite mature, which is the Sultanate and China labor cooperation and engineering contracting and cooperation have laid a solid foundation.

For example, although both countries (Oman-China) use the same production technologies, one has a lot of capital but a limited number of workers, while the other country has little capital but lots of workers. According to the Heckscher-Ohlin theory, trade makes it possible for each country to specialize. Each country exports the product the country is most suited to produce in exchange for products it is less suited to produce.

#### ③ *Energy resources are Complementary*

The Sultanate of Oman is dependent on its oil sector for the majority of its export revenues and government spending.. Oman possesses the largest oil producer and reserves of any non-OPEC country in the Middle East as well as significant reserves of natural gas of which it is a leading exporter regionally.

The Sultanate of Oman and China's energy resources complement each other; prompting China's imports of goods from the Sultanate of Oman are mainly oil, copper, aluminum, steel and chemical raw materials. China's import from the Sultanate is about 97% of the proportion of crude oil. At present, China's oil is from Oman known as the region's largest share of imports of goods, and with the growing

economy, energy resources. The Sultanate of Oman and the China's economic and trade cooperation has played a leading role is gradually strengthened.

### III. THE SULTANATE OF OMAN AND CHINA'S ECONOMIC AND TRADE DEVELOPMENT

In the past, China and the Sultanate established economic and trade relations, there was no huge progress and their achievements were too small. However, the economic and trade ties between the two nations began to gradually strengthen during China's reform. Especially in the 21st century, with the continuous evolution of the world pattern in bilateral economic and trade cooperation between the countries have continuously made new achievements in terms of economic and trade cooperation.

If you are using *Word*, use either the Microsoft Equation Editor or the *Math Type* add-on (<http://www.mathtype.com>) for equations in your paper (Insert | Object | Create New | Microsoft Equation *or* Math Type Equation). "Float over text" should *not* be selected.

#### A. The Sultanate of Oman and China's economic cooperation

##### ① Investment Cooperation

Investment cooperation is one of the main forms of economic relations between the Sultanate and China. In recent years, investment cooperation between the two nations has been strengthened in many areas especially in energy, finance, transportation, tourism, construction, communications and many more.

China has substantial investment primarily in Oman's oil and petrochemical sectors. Chinese enterprises, including China National Petroleum Corporation, China Gas Holdings and SINOPEC, have invested in various energy, transport and industrial projects.

China is the largest trade partner for Oman and the top importer of Oman's crude oil. Oman has become the fourth largest trade partner for China in the West Asia and North Africa. Out of every ten barrels of oil imported by China, one is from Oman. China has made a whopping \$2 bn investment in the Sultanate and the bilateral trade between the two touched \$17.2 bn in 2015, a year when the financial crisis gripped the world economy against \$25 bn trade between Oman and China. But plans are afoot to explore newer areas of mutual interest and to raise the bar even higher. In 2015, Oman signed the agreement as founding member to join the Asian Infrastructure Investment Bank which was proposed as an initiative by the Chinese government.

An agreement between Oman's government and Chinese investors to develop a new US\$10.7 billion industrial city near the port of Duqm will help Oman's flagging construction sector, which is expected to this year post its slowest growth since 2000, according to BMI Research. BMI said that projects such as the Sino-Oman Industrial City will help to underpin growth for construction in Oman, which it expects to accelerate from a growth rate of 2.4 per cent this year to 4.9 per cent by 2019. The firm said that international investors, in

particular from China, will fill a funding gap in Oman's industrial sector that has been caused by the oil price plunge and the government's inability to directly finance work. Oman is expected to run an average fiscal deficit of 11 per cent of GDP over the next five years, according to BMI.

Nearly 35 projects would be implemented in the China-Oman Industrial Park. As many 12 projects will be in the field of heavy industries, including those producing commercial concrete, building materials and related industries, glazed glass, methanol and other chemicals.

The light industrial zone will have 12 projects, including solar power and battery units, production facilities for equipment for 10,000 SUVs, oil & gas tools, pipes, half a million tons of colorful panels, assembling bicycles, garments, as well as a variety of other projects.

There will be eight projects in the mixed-use area, including a training center, a school, a hospital office, and a sports center. The tourism zone shall have a five-star hotel. This is in addition to the oil refinery and petrochemicals projects.

Oman's free trade zones in Sohar, Salalah and Duqm will also attract and facilitate China's investment in Oman. Recently, Chinese companies participated in the construction of a one-billion-U.S. dollar power plant project in the southern Salalah, which will begin generating electricity in 2012. As more Chinese investors are willing to start their businesses, the Bank of China opened a "China desk" in Bank Muscat, Oman's largest lender, to finance infrastructure projects.

##### ② Contract Project Cooperation

Oman has expressed keen interest in strengthening the cooperation of joint construction of the "Belt and Road" with China in the fields such as infrastructures, logistics, mining and tourism based on consolidating the relationship of the traditional energy cooperation. CNPC has been operating in Oman since 2002, owning oil and gas assets while providing oil field services. It provides a wide range of oil field services covering geophysical prospecting, well drilling, logging, perforation and formation testing. The company also won the tender of a 3D prospecting project from Petroleum Development Oman (PDO) and reached a drilling services contract with PDO on the Lekhwair project. In April 2002, CNPC signed a PSC for 50 per cent equity in Block 5 in Oman. The operator of this oil and natural gas exploration and development project is a joint operation company established by CNODC, CNPC (Hong Kong) Ltd. and Oman MB Group.

In June 2005, CNPC and Oman Oil Company S.A.O.C (OOC) signed an MOU on the investment and cooperation in oil and gas development and downstream operations.

In early 2006, China and Oman launched the drilling service project to provide engineering and technical services to 232 wells of PDO for three years as the master contractor, including drilling, logging, directional drilling, casing running, cementing and acid pickling.

Oman Sugar Refinery Company (OSRC) recently signed a design and construction agreement for a sugar refinery worth \$250m with China Light Industrial Corporation for Foreign Economic and Technical Cooperation on Saturday, 6 June 2015. A separate contract worth \$10m will be signed for the construction of a natural gas pipeline to meet the energy requirements of the project.

Overall, maintaining strong ties with China not only offers Oman access to much-needed foreign investment capital and technology, it has also gives it a relationship with a major power that holds a permanent seat on the UN Security Council, giving Muscat a useful offset to Western pressure.

*A. Bilateral Trade Commodity Structure*

The value of trade exchange between the Sultanate of Oman and China reached about RO 5.9 billion 2011, rising by 49.6% compared to 2010. The trade balance was in favor of the Sultanate where it achieved a surplus of RO 5 billion in 2011. Exports of the Sultanate to China grew by 53.2% in 2011 compared to 2010 as it reached RO 5.5 billion in 2011. Oil exports to China represented 89.6% of the Sultanate's total exports in 2011. Non-Oil exports to China grew by 79.1% in 2011 compared to 2010, representing 6% of total Sultanate's exports to China in 2011.

Table 1: The value of trade exchange between the Sultanate and China

Year	Imports	Exports	Trade Balance
2005	081.80	1635.3	1553.5
2006	141.70	2182.1	2040.4
2007	183.40	2515.8	2332.4
2008	403.00	4279.9	3876.9
2009	329.40	1858.1	1528.7
2010	368.00	3561.8	3193.8
2011	420.80	5457.2	5036.4

Source: Data from Ministry of National Economy in Oman

① *China's imports from the Sultanate of Oman*

Over the years, energy cooperation has been the primary axis around which China-Oman relations revolve. According to a report published by Oman's Ministry of National Economy, oil exports accounts for more than 89.6 percent of the country's total exports to China, which is the world's largest customer for Oman's oil, accounting for more than half of its petroleum exports.

Regarding exports of crude oil during the first quarter of 2014, China topped the list of the countries importing crude oil from Oman with 49.9 million barrels exported to China compared with 42 million barrels during the same period in 2013, representing an increase of 18.7 per cent.

China boosted its oil imports from Oman by nearly 26 per cent in the first two months of 2013. Official data showed Japan, which had been the top customer for Omani oil before it was ousted by China. From around 22.7 million barrels (378,000 bpd) during January-February 2012, China's crude imports from Oman surged to nearly 28.6 million barrels (477,000 bpd) during January-February 2013, the Omani Ministry of National Economy said. It is worth noting that the suitability of Oman's crude oil to China's existing refining technology and ability implies that Oman will remain an important trading partner for the Chinese. If Beijing wanted to import oil from other sources, it would have to allocate significant resources to upgrade its refining facilities. That makes continued reliance on Omani oil a safe bet.

Oman is an important crude oil exporter, particularly to Asian markets. In 2012, Oman exported 278.2 million barrels of crude oil (762,000 bbl/d), of which approximately half went to China. Oman is not a major refined petroleum product exporter, although there are plans to expand the country's refining capabilities in the next few years.

Table 2: 2013 Oman oil exports, by country

Country	Amount (thousand bbl/d)
China	382.80
Taiwan	104.40
Japan	091.30
Singapore	054.40
Thailand	051.90
South Korea	029.80
New Zealand	016.40
India	014.20
United States	005.50
Other	013.80
Total	764.50

Source: Oman Ministry of Oil and Gas

Even though China is the largest oil producer in the world but they still import high demand of oil from Oman. This is because China is undergoing with lots of economy infrastructure in development of their economy in terms of loads, labor and capital. The more demand of oil from China, the more revenue Oman received. This is a benefit to Oman's economy due to the fact that China has been increasing their demand of oil.

② *China's exports to the Sultanate of Oman*

China's main export to Oman is road construction machinery. The road machinery is the special mechanical equipment used

for the road construction and maintenance. According to the usage of the machine, road machinery includes road construction and maintenance of machinery, road materials processing machinery, bridge construction and maintenance machinery, road testing apparatus and equipment, and so on. Functions mentioned above shows a huge important in the economy of a country. Since China's road construction machinery industry has been improved to some extent, so they tend to sell it to global market. Due to initial stage of the industry, the technical quality of road machinery industry greatly developed.

According to statistics, there have been more than 80 road machinery producers in China, more than 200 species of road machinery products and more than 1000 models of road machinery. Having a lot of road machinery industries in China is an advantage to other countries such as Oman because there is no such industry for road development in the country. In this situation, the demand of road construction machinery from China has been increased by then because the mechanical equipment is very important for road infrastructure in Oman.

China exported a lot of this mechanical equipment to the Sultanate for road construction in the country. Since the relationship between the two countries (China-Oman) is very good, so they co-operate in ways that best satisfy their needs. As I've mentioned before, the demand from the government of Oman for road construction machinery increased, therefore the Republic of China export more according to the amount they want. In this case, increase in demand by Oman for road mechanical equipment is an increase in income for China. The more China export, the more revenue they gain. This is an advantage for the economy of China especially road machinery industries.

The government of Oman paid more money on road construction infrastructure, as it is very important for their economy growth. In the past, Omani roads was a huge problem due to lack of equipment to construct and develop transporting system, however, it's a dramatic changed nowadays since the economy of the country improved a lot. And also, the great help and assistance from their main exporting and importing partner (China) gives them confidence and innovation.

Since China knows the lack equipment of Oman, so they tend to export a lot in order to help improve the economy of their exporting oil partner. Road machinery industries in China produced and consumed more machinery to trade globally because the more they export the more income they get. Especially since Oman does not have this kind of industry in their country, which is a big advantage for the Republic of China to export more to the Omani. China's exports to Oman amounted to \$1.5 billion or 5.9% of its overall imports.

Exports	Amount (\$)
Machinery	427.90 million
Iron or steel products	231.00 million
Iron and steel	161.90 million
Electronic equipment	110.20 million
Furniture, lighting, signs	081.50 million
Organic chemicals	066.00 million
Other chemical goods	050.20 million
Oil	045.60 million
Rubber	040.00 million
Plastics	039.10 million

IV. PROBLEMS IN THE DEVELOPMENT OF ECONOMIC AND TRADE RELATIONS BETWEEN THE SULTANATE OF OMAN AND CHINA

A. Underdeveloped transport facilities

Since the Sultanate of Oman is located in the middle of the territory of Asia, Europe and Africa, most of the countries of West Asia and North Africa, and China Far from the North African countries, bilateral trade with China has to go through other countries or bypass transportation. As a result, it increased transport costs, time-consuming and causing great inconvenience to bilateral economic and trade relations. For example, there is no direct port for exporting and importing of products between the two countries. This is a problem that leads to delay of shipment from ports to a final destination. Having a direct route of port will erase this kind of problem of trade in the future between China and Oman.

Shipping via rail is a popular option, especially when transporting over large distances or when shipping bulk goods. Rail is commonly used as part of an intermodal chain to bring products to a port for international export, or from ports to a final destination. Because many rail shipments must be transferred to cargo ships, motor carriers, or planes, there is often a transshipment cost involved. The Sultanate does not use rail because they don't have one. This is one of the problems for trading for the Omani because having no railway might be hard for transporting containers and big commodities to different areas in the country. Railway is an easy way of transporting products from one place to another especially when long distance is involved.

B. Lack of market opportunities (Low level of market)

In the Sultanate of Oman, there is only one stock exchange market. The opportunity to showcase and to public the image of Oman to the outside world is too small, this is why less local and foreign investors to invest in the country. Having high level of market attract more and more investors, however, with the situation of low level of market in Oman, therefore the number of foreign investors is too small.

Table 3: China's exports to the Sultanate of Oman

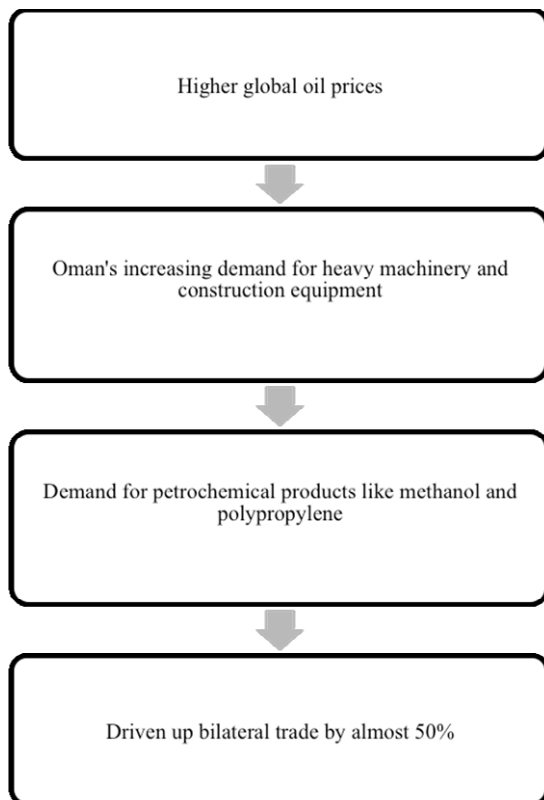
Another problem that leads to low level of market is less employment opportunities. For example, China is a big country with many different huge types of market that broaden the image of their economy to the outside world. They like to invest into any society or to into anything that they know benefits them and to help them grow more. So, if the market of Oman is high enough, of course more investors will invest in to any kind of projects that needs to be developing, and as a result, more job opportunities for the local. But at the moment, having only one big market in the Sultanate leads to less attraction for the investors and therefore leads to low level of employment.

C. Bilateral trade development is unbalanced

The goal of bilateral trade agreements is expanding access between two countries markets and increasing the country's economic growth. Business operations are standardized in five general areas as a method of preventing one country from stealing another's innovative products, dumping goods at a small cost or using unfair subsidies. Bilateral trade agreements standardized regulations, labor standards and environmental protection.

The bilateral trade between the two countries has its ups and downs and changes depending on several reasons. Trade between the two countries surged 49.6 per cent to RO5.9bn in 2011 compared to RO3.92bn in 2010.

Figure 1: The main reasons behind the surge of bilateral trade in 2011



Source: Erstwhile Ministry of National Economy

Higher oil prices and increasing demand for Chinese heavy machinery and other construction equipment in the sultanate are the main reasons behind the surge in bilateral trade. The

volume of oil exports to China has grown, but the jump in the value of exports to China is mainly due to higher oil prices. The demand for petrochemical products like methanol and polypropylene is growing in China which Middle Eastern and countries like Oman are able to export at relatively lower prices.

Bilateral trade dropped somewhat as a result of the global financial crisis, yet bilateral cooperation on project contracting enjoyed a sound momentum of growth. Enterprises from the two countries signed a number of new cooperation agreements on power plant, road, water management, port development and shipbuilding.

V. SUGGESTIONS FOR THE DEVELOPMENT OF ECONOMIC AND TRADE RELATIONS BETWEEN CHINA AND THE SULTANATE OF OMAN

① To strengthen cultural exchanges and mutual trust

It is very important to strengthen cultural exchanges and mutual trust when dealing with bilateral trade and cooperation both locally and internationally. Because one thing that we know for sure is that, the problem of trade friction between the two different nationalities is relatively due to a lack of communication and trust. The Omani and Chinese culture and language are completely different; resulting in both sides to encounter problems of failing to have a good communication solution, contradictions piled up and more trade chaos and misunderstandings. To solve these, the two countries must continue to carry out some adequate communication and text exchange activities: For example, in 2007, the two countries inked an agreement to establish a chair of Arabic at China's Peking University. Oman also ran a successful pavilion at the 2010 Shanghai Expo in China, receiving more than three million visitors. Showing of Oman's culture and commodities in the Expo was an amazing way of showing Chinese more of Oman. Meanwhile, several Chinese artists have taken part in the annual Muscat Art Festival.

On the other, Chinese government offer many scholarship opportunities to the Omani. In this case, it is an advance chance for Omani people to experience, learn, explore and understand more of Chinese culture and language as well as more important stuff. The Omani scholarships have to learn Chinese language for the first academic year of study this is an excellent way of developing and encouraging bilateral trade and cooperation through language. Because when these people return home after completing studies, they could be able to help being an interpreter for meetings and negotiations between Oman and China and so is the vice versa for Chinese people. Mostly every year, universities have a culture day activity for all foreign students studying in China. Each student has to present their nationality in different ways. It is one of the most exciting, fun and enjoyable activities for everyone because some students got to know more about different countries culture and language. And more importantly, this is also a great way for the Omanis and Chinese to cooperate in terms of culture and language especially mutual trust between each other. China offered scholarship every year, nowadays, more and more Omani study in the mainland and they even found jobs.

In addition, the two countries should send more people to involve and to participate in meetings, workshops, culture exchange and more. For example, there should be a culture exchange held regularly between the two countries, employees and staffs should participate in order to learn and achieve mutual understanding of each other's customs and culture. This will promote and increase friendship but also beneficial to further expansion of economic and trade cooperation.

### ② *Optimize the bilateral trade structure*

China and the Sultanate of Oman are known as the world's major energy consuming and producing countries which establish long-term sustainable and mutually beneficial cooperation mechanism. China should expand investment in the non-oil sectors in Oman. The Chinese delegation visit the Omani Sultan Qaboos bin Said al-Said, deputy prime minister and other ministers and sign the important agreements MOUs on investment, human resources during the visit. China's top political advisor, Jia Qinglin stated that "Nowadays, as the Sultanate's largest trade partner, China is ready to contribute to Omani government's drive to diversify the sources of revenue, 70 percent of which derives from oil and gas. Amid efforts for economic multi-polarization, Oman will develop non-oil sectors including infrastructure, renewable energies, tourism and finance. China and Oman will become essential partners in these fields."

### ③ *Strengthen transportations*

In the Sultanate, there are few underdeveloped transport facilities that should be developed for future development of the country. There are eight ports in Oman that is being use by the two nations for trading. However, none of the eight ports have a direct route to either China or Oman. This is one of the problems that lead to delay because there are so many routes and stops to different places before reaching final destination. At the moment, the Chinese invest a lot on rebuilding Sohar port; this refers to "Chinese One Belt One Road initiative reaches SOHAR", meaning there is a one road straight to Oman from China. In the future, there will be no delay of trading or more costs due to many stops at different places. Sohar port is one of the biggest projects that both Omani and Chinese are working on it right now.

Another underdeveloped transport that needs to be developed is railway. Shipping via rail is another popular option, especially when transporting over large distances or when shipping bulk goods. Rail is commonly used as part of an intermodal chain to bring products to a port for international export, or from ports to a final destination. Because many rail shipments must be transferred to cargo ships, motor carriers, or planes, there is often a transshipment cost involved. China uses this mode of exporting and it's very convenient to most of the companies and businesses domestically and globally. It's very convenient in terms of transporting products to another place. Oman does not use this mode because they do not have rail in their country. Businesses reduce these costs and expedite shipping times by using containers, which can be easily moved from one mode to another. Although rail is not as flexible as road transport, it can be cheaper and more energy efficient under certain circumstances, especially when long distances are involved. Shipping bulk commodity items such as ore or grain, rail

tends to be the most convenient option. Specialized freight cars allowed bulk products to be poured or dropped for easy transport. Refrigerated cars and containers are available for perishable freight, and liquid cargo can be stored in tank cars. The Chinese and Omani already signed a contract and they are both working on constructing and building a railway in Oman.

## VI. CONCLUSION

This paper mainly discusses the economic and trade relations between the Sultanate of Oman and China. According to the analysis of favorable factors to promote the development of economic and trade relations, the current economic trade development, the existing problems and suggestions to promote the development of economic and trade relations between the two aforementioned countries in this study, it clearly shows that the development of economy in each country has improved a lot and continue to strengthen in various ways. The foundation of the development of economic and trade relations was all started from having and maintaining an excellent political relation between the two nations. The level of bilateral economic development rises from the interests of both countries in terms of what they are lacking of and what they are rich of and how they complement each other. China is a huge consumption market, strong financial strength and more advances in technology. Oil is their greatest demand for its economic development and that is why Oman sees China as their major oil buyer because the Sultanate is rich in oil. On the other hand, Oman is lack of technology for production, therefore, they both need each other and that is why the economic and trade relations between them are deeply strengthened in many ways. Even though there are some problems towards the pattern of economic and trade relations between China and the Sultanate but these problems makes both of them grow more into wide opportunities and developments. They both cooperated in many activities for development such as contracted projects, financial cooperation projects, labor export projects and more. The Sultanate of Oman is more benefit from this kind of cooperation because the Chinese invest a lot in many of the contracts and projects that is done and will be done in the future.

After the above analysis, I believe that the future trend of economic and trade cooperation between the Sultanate of Oman and China are characterized by: trade will continue to expand, the Sultanate investment rate will continue to improve; the two sides in improving transport infrastructure, the development of communications, aviation, tourism and other emerging industries will strengthen cooperation, China will also finance, tourism, environmental protection and science and technology and many other aspects of cooperation will continue to develop and explore.

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