

Business/OMAN

The \$60bn super-port on the Arabian Sea Oman's building is designed to transform the sultanate into a strategic Indian Ocean trading hub and naval base to protect the vital oil and gas routes across a region where energy-hungry India and China may collide.
By Ed Blanche

Oman: playing the long game

A new \$60bn port city is emerging on Oman's southern coast at Duqm, which, until a couple of years ago, was just another windswept fishing village in the remote and hardscrabble Wustah governorate between two of the sultanate's main ports, Salalah to the southwest and Muscat, the capital to the northeast.

Right now, Duqm has a 4.5-km breakwater, shipping quays with mobile and railroad cranes, a \$1.5bn dry dock, the second biggest in the Middle East, and an airfield.

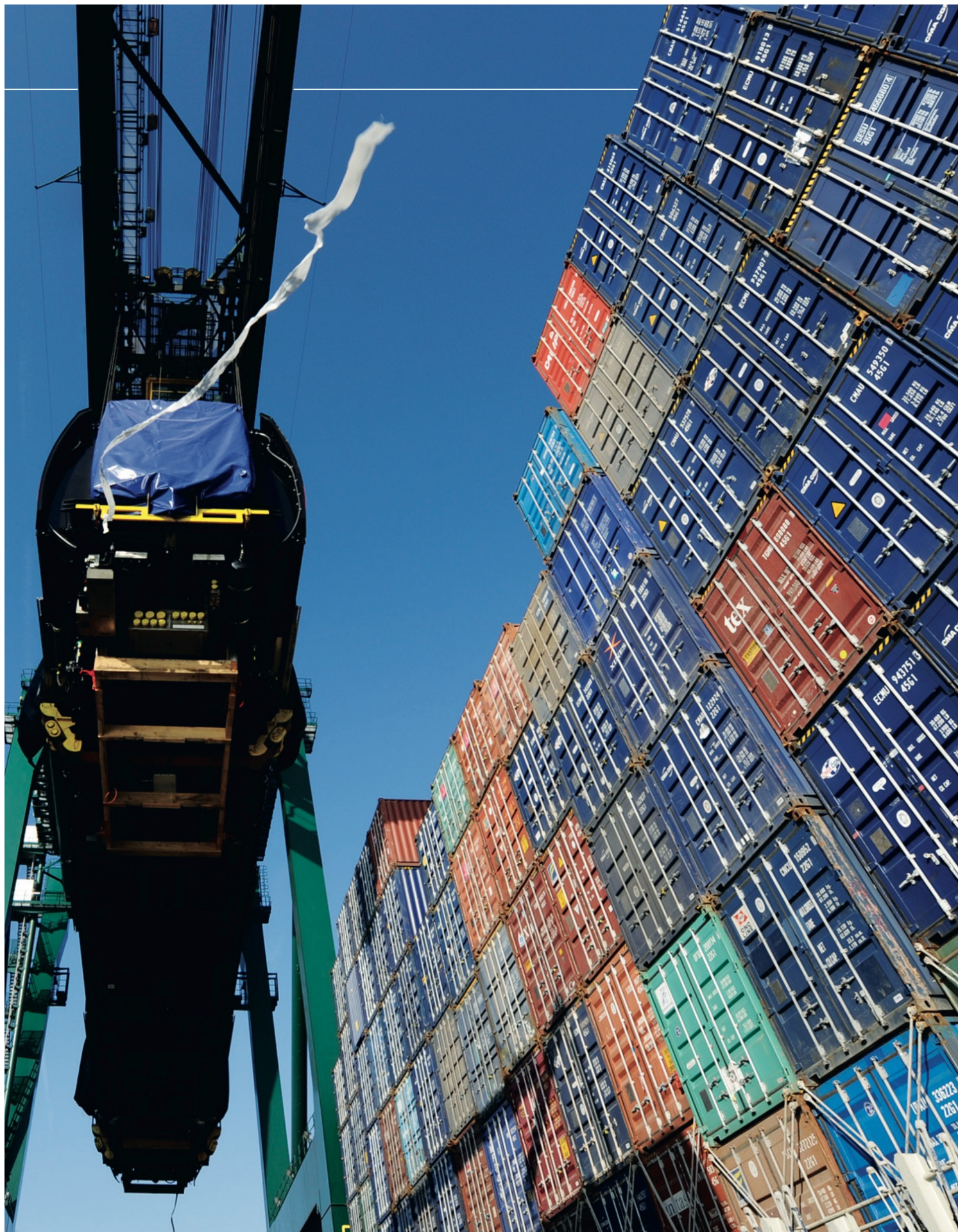
This is only the first phase of a multi-year construction programme to transform Duqm, scheduled to begin full-fledged operations by 2016, into a vast port and international business hub over the next decade that will constitute the southern anchor of a planned rail network linking it to Muscat, Dubai and other ports all the way to Kuwait in the north of the Gulf.

With some 80km of coastline earmarked for the project, Duqm, a joint venture between the Omani government and the Port of Antwerp, will have its own economic zone, a petrochemicals plant, an oil refinery and a population of 67,000 by 2020, officials say. Housing is planned for 100,000.

Location, location

It will also have a major naval facility that planners hope will one day service the US Navy's nuclear-powered aircraft carriers and submarines protecting vital oil and gas tanker lanes across the Indian Ocean, the world's third largest ocean and an area of swelling geopolitical importance in which India is undertaking an unprecedented military expansion as China seeks to extend its growing military power.

THE INDIAN OCEAN IS ONE OF THE WORLD'S MOST IMPORTANT TRADING ARTERIES, PARTICULARLY FOR ASIA-BOUND OIL FROM THE GULF. ALONG THESE SHIPPING LANES, TANKERS CARRY 80% OF CHINA'S OIL REQUIREMENTS AND 65% OF INDIA'S



In March, 16 warships from the GCC states gathered at Duqm for joint naval exercises in the Arabian Sea. With 2,000 km of coastline on the Arabian Sea, Oman is ideally situated to become a key naval bastion in the Indian Ocean. It already hosts US four-engine P-3 long-range surveillance aircraft which patrol the Indian Ocean shipping lanes from the island of Masirah and has frequently provided bases for US forces engaged in regional conflicts.

The sultanate, which dominates the southeastern corner of the Arabian Peninsula, controls, as far as any littoral state does, the shipping channels of the strategic Strait of Hormuz, along with Iran, which lies on the eastern shore of the Gulf. More importantly, the deep-water channels used by heavily laden oil supertankers lie entirely in Omani waters.

Some 17 million barrels of oil, one-fifth of the world's crude supplies, transit the U-shaped strait every day in supertankers.

Oman lies outside the Gulf itself, which means that in any regional conflict, its ports – primarily Salalah, Muscat and Sohar, 200km northwest of Muscat, would still be able to function.

Also, once plans to have oil and gas pipelines as well as railroads link the Arab monarchies strung out along the western shore of the Gulf to Oman's ports on the Arabian Sea, it will be possible to funnel the region's vital energy exports, largely headed eastward to Asia, even if Hormuz is blocked or deemed too dangerous to navigate.

Future threats

"The Greater Indian Ocean will be the maritime organising principle of the 21st century world, and perhaps no country, other than India itself, sits astride it more than Oman," observed Robert D. Kaplan of the US global intelligence consultancy Stratfor. "Remember that the Arabian Sea, the entire western half of the Indian Ocean, used to be called the Sea of Oman."

Duqm, Kaplan noted, will be "an artificially engineered logistical supply chain city of the 21st century, whose basis of existence will be purely geographical and geopolitical."

The planned superport "lies safely outside the increasingly vulnerable and conflict-prone waters of the Gulf, but close enough to take advantage of the Gulf's energy logistics trail. It's also midway across the Arabian Sea, between the growing middle classes of India and East Africa ... These and other factors make Oman in the Middle East as important as Poland and Azerbaijan in greater Europe."

The Indian Ocean is one of the world's most important trading arteries, particularly for Asia-bound oil from the Gulf. Along these shipping lanes, tankers carry 80% of China's oil requirements and 65% of India's.

For decades, the US Navy has shielded these vital sea lanes. But as India and China have emerged as economic giants, they are moving to expand their naval forces to control these routes, triggering a new, and potentially dangerous, confrontation that will be linked to China's looming military challenge to the United States in the Pacific Ocean.



Strategy & diplomacy

Developing Duqm is a vital project for Oman, a former British protectorate which like its GCC partners, depends on hydrocarbon exports to maintain social stability among its 3.6 million people.

Its ruler, Sultan Qaboos bin Said, has reigned since assuming power in 1970. Since then he has modernised the sultanate, which for centuries was a major seafaring power in the region with territory as far south as Zanzibar off East Africa.

But the sultanate's reserves are small compared to Saudi Arabia, the UAE and Kuwait – 5.5 billion barrels of oil and 900 million cubic metres of natural gas. A megaproject like Duqm is a far-sighted effort to maintain the sultanate's economic development far into the 21st century.

"Faced with dwindling energy reserves, Sultan Qaboos has forged several strategic relationships to help guarantee the Omani state's future internal stability and territorial sovereignty," observed the US global security consultancy Stratfor.

These include Oman's friendly links with both Iran and the United States. Qaboos played a key role in setting up the current negotiations between the West and the Islamic Republic to end more than three decades of hostility, which, if successful, would dramatically alter the geopolitical landscape in the region and possibly defuse political and sectarian tensions while consolidating Oman's position in a precarious region.





Theodore Karasik, director of research at the Institute for Near East and Gulf Military Analysis in Dubai, says that over the coming years “many eyes will be focused on the Indian Ocean ... It covers 70 million square km, or 20% of the world’s water surface, hosts three-quarters of global oil reserves and over 70,000 ships cross it every year.

“The Indian Ocean hosts the world’s most significant Sea Lanes of Communications (SLOCs) and as such plays pivotal role in the global economy, in particular over the past 20 years.”

“As a major transportation route, the Indian Ocean has a major role in distribution of Gulf oil to Asia,” Karasik observed, “and as such represents the lifeline for the majority of Arab Gulf countries. A yearly trade that passes through the New Silk Route ... has been estimated at a whopping \$18 trillion...”

“The sudden rise of India and China as global economic powers has significantly increased their energy needs and their dependence on Gulf oil supplies. Consequently, their energy security interests give these two



Top Left: Sultan Qaboos of Oman with Iran's President Rouhani

Left: The US take the security of Gulf waters seriously



BECAUSE OF THE GROWING ENERGY AND OTHER CONSUMPTION NEEDS OF CHINA AND INDIA, THE GCC IS EXTREMELY INTERESTED IN INDIAN OCEAN SECURITY

Asian players direct stakes in the security and stability of the Indian Ocean, in particular the safety of transit lines from the Gulf towards the eastern coast of the Arabian Sea and the Bay of Bengal which rings India's long coast."

Maritime security

In recent years, amid tensions between Iran and the US and its allies that threatened to close the Strait of Hormuz, the Gulf states have sought to develop overland export routes that bypass the chokepoint waterway.

In 2013, the UAE opened a pipeline from its main oilfield to the port of Fujairah, which lies outside the strait.

This will be able to carry most of Abu Dhabi's oil exports, but the amount of oil that can be pumped through that pipeline represents only 10% of the six GCC states' oil that is traded through the Strait of Hormuz. The Saudis are planning to expand their Petrolina pipeline across the kingdom from the Eastern Province oilfields on the Gulf coast to the Red Sea terminal at Yanbo on Saudi Arabia's west coast. But even that line would be able to carry only 25% of the oil shipped through the strait.

Admittedly, the possibility of Hormuz being closed by a US-Iranian conflict is diminishing as the P5+1 group – the five permanent members of the United Nations Security Council, the US, Russia, China, Britain and France plus Germany – negotiate with Tehran on scaling down its contentious nuclear programme could signal a rapprochement aimed at ending 35 years of friction.

But relations between Iran and Saudi Arabia, the Islamic Republic's long-time rival for regional leadership, remain confrontational, with the two oil powers supporting opposite sides in Syria's brutal civil war. That could spill over into the Strait of Hormuz.

Because of the growing energy and other consumption needs of China and India, the GCC is extremely interested in Indian Ocean security," Karasik observed. "In fact, the states of the Arabian Peninsula are increasingly focusing on Asian security as they do in the Middle East and North Africa region. In 2014, how the GCC states focus on the Indian Ocean will determine the fate of dozens of countries in the medium and long term.

"Who will call the shots in the Indian Ocean in the coming decades will depend on many factors. The world is progressively moving towards a new international energy order, which for better or worse will be dictated by the supply and demand of key energy resources: oil, gas and coal...

"Although Saudi Arabia has the highest reserves of crude oil in the world, Russia and Iran combined have significant energy supplies of both oil and gas and will probably rise to more prominent roles in the future of energy trade. Thanks to this trade, Russia has already turned into an economy which will soon surpass Germany, which will in turn change many relationships and the share of global power.

"There are multiple scenarios of how the Indian Ocean affects the global power-sharing in the post-2020 period. American analysts mostly believe that the United States will remain the key power, while China would be the second most powerful."

"As the countries of the GCC can be considered part of South Asia, they have key interests throughout the Indian Ocean," Karasik noted. "The GCC's plans include greater growth through supply chains networks, closer international cooperation with all the states of the Indian Ocean, increased defence ties with those states, and the injection of money in states across a broad spectrum of security issues – whether maritime, food, climate or economic.

"With this plethora of internal security issues, the GCC states need to begin thinking long-term to guarantee the safety and security of this broad expanse of maritime activity." ■

TRAVEL EXPERIENCED



FACE TO FACE WITH OMAN

The Sultanate of Oman was once at the heart of the exotic spice route between the east and Zanzibar. Today, it retains a timeless charm and epitomises the authentic soul of Arabia. Bathed in year-round sunshine, Oman is particularly traveller friendly, offering a beguiling combination of traditional Arabic culture, mighty forts, dramatic desert scenery, wild mountains and idyllic beaches.

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