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The birth of Oman's tourism industry

Abstract

Despite the fact that during the past four decades the tourism industry has emerged as one of the leading industries worldwide, in the Arab region, particularly in the GCC oil-exporting countries, it was largely neglected until the early 1990s (with the exception of Dubai). During the past decade, however, this traditional neglect and even negative attitude toward international tourism has changed remarkably and each of the GCC countries, even Saudi Arabia, started to promote international tourism. What led these countries to change their attitude toward international tourism? Why precisely in the 1990s? This paper aims to explore these questions regarding Oman -- the latest among the GCC countries to join the tourism "race." Overall, during the past decade, Oman's tourism industry rapidly expanded and became one of the Sultanate most pivotal non-oil sectors, specializing in eco-tourism and first class tourism. In light of this success, the tourism industry became one of the top targets of the Omani long-term socio-economic plan, namely, "Oman 2020." However, despite the immense Oman's tourism expansion during the past decade, one cannot ignore the dangerous situation of the ongoing increasing competition with the other GCC countries in the arenas of both, intra-GCC tourism and Western tourism, as well as from the security-political factor which threatens the tourism industry all over the Arab region. The degree of future expansion of the Omani tourism industry would greatly depend on its ability to overcome these two fundamental problems.

> *Like delicate flowers thriving on the fertile soil found on the slopes of a volcano, Middle East tourism is thriving, despite the ever-present threats of war and terrorism.*
>
> *John Martin (2005, p. 35)*

Keywords:
tourism; tourism development; tourism priority action plan; Oman

The methodological framework and the research aims

Although during the past four decades the tourism industry has emerged as one of the leading industries worldwide, in the Arab region, particularly in the GCC oil-exporting countries,[1] the tourism industry was basically neglected. During the 1990s, however, this traditional neglect and even negative attitude toward international tourism has changed remarkably and each of the GCC countries, even Saudi Arabia, started to develop its own tourism industry.

Why did the GCC oil countries change their traditional negative attitude toward international, particularly Western, tourism? Why precisely in the 1990s? This paper aims to explore these questions regarding Oman — the latest among the GCC countries

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to join the tourism "race." Specifically, the first and the most important part of the article examines the role of the tourism industry within Oman's overall macroeconomic development framework since the July 1970 Sultan Qabus bin Sa'id bloodless *coup d'etat* until the present. The second part explores Oman's tourism comparative advantages in relation to both the other GCC countries and worldwide. The third part deals with Oman's practical tourism policy and facilities development, while the final part examines the potential on the one hand, and the barriers on the other, for future Omani tourism expansion.

From prohibition to encouragement: Oman's tourism attitude in retrospect

THE ISOLATING POLICY OF SA'ID BIN TAIMUR

Under the rule of Sa'id bin Taimur (1932-70),[2] Oman deliberately remained distant from the rest of the world. Riphenburg (1998, p. 45) noted about Sa'id bin Taymur's policy that: "He was opposed to any sort of change and attempted to isolate Oman from the modern world… Sa'id personally issued all visas." Consequently, under his rule the country lacked nearly all infrastructures, including modern ports, roads, schools, electricity outside the capital, etc. (Peterson, 2004). By 1970, at the end of Sa'id bin Taimur's rule, there were only three schools, two hospitals, and 10 kilometers of paved road in the entire country (Lancaster, 2000). In late 1996 'Abdulaziz Muhammad al-Rowais, the Omani Minister of Information, stated: "Twenty-five years ago, Oman was a closed book to the outside world with no education system apart from three elementary schools. There were no medical services, no roads, [and] no communications network" (Lancaster, 1996, p. 26). Thus, "…to travel outside the capital of Muscat was to venture into virtually uncharted territory" (Lancaster, 1995, p. 30). Since so little was known about Oman at that time, Eickelman (1989:368) dubbed it as the "Tibet of the Middle East."[3] A major factor for this "distance" was the fact that Oman was the last among the Arabian Gulf countries to start export oil.[4]

THE "FLICKERING" OF OMAN TO THE GLOBAL ECONOMY

In July 1970, however, Oman's isolation period ended and significant socio-economic development was begun. Education, healthcare, and other social services, and infrastructures were rapidly expanded from the capital Muscat to the other regions of the Sultanate. Under the rule of Sultan Qabus, Oman's socio-economic slogan was and still is "diversification, Omanization, and privatization." During his tenth Anniversary National Day in November 18th, 1980, Sultan Qabus made the following statement:

> *It has long been our intention that our economy should be so diversified that our dependence on the one source - oil - is reduced. To do this, we must exploit our country's other national resources and our industrial potential to be full (Oman, 1991a, pp. 78-79).*

The rapid surge in oil revenues following the October 1973 "oil boom" enabled Oman, like the other Arabian Gulf oil-exporting countries, to implement large-scale socio-economic development plans. Thus, the Second Five-Year Development Plan (1980-85) was aimed to intensify the economic diversification: i.e. continuation of the infrastructure expansion; development of the remote provinces; and promoting human resources development. In order to facilitate private sector investments, the Omani government, in addition to establishing the Oman Development Bank, began to provide subsidies to local private investors through low-interest loans and grants (Oman, 1981; Oman, 1986; *MEES*, 23 November 1981).

The decline in oil prices with the end of the "bonanza period" of the "oil decade" in late 1982 brought about an economic recession in all of the GCC oil countries, including Oman, and led to intensifying the "rush" to economic diversification in order to reduce as much as possible the dependence on oil rental revenues. The development of the tourism sector, however, was still not included within the Omani macroeconomic development plans. The official reason for Oman's neglect, or even resistance to international tourism during the 1970s and most of the 1980s, according to Muhammad al-Zubair[5] was that during that period the Sultanate prepared the "…environment for tourism development" (Carpentier, 2003, p. 48). It seems, however, that the real reason was the authorities' fear of the socio-political consequences of rapid changes from a country that was until recently almost isolated from the rest of the world, into a center of mass international tourism. A senior official in the Ministry of Commerce and Industry expressed these fears quite openly: "We feel it is important for us to maintain our identity and culture and we know from experience that thousands of tourists pouring into a specific area can drastically alter the delicate visitor/host balance" (Arnold, 1997, p. 20).

THE MID-1980S: FIRST HESITANT STEPS TOWARD LOCAL TOURISM

In the mid-1980s, however, the traditional Omani attitude toward tourism began to change slightly, due apparently to a worsening of the economic difficulties, resulting from the combined low oil revenues,[6] and an increasing awareness of the potential of the tourism industry in the areas of governmental income and generating of employment opportunities to the rapidly growing indigenous workforce (see Table 1). This awareness was first reflected in the Third Five-Year Development Plan (1986-90): "Tourism is considered an important activity because the Sultanate is favored with several advantages in tourism" (Oman, 1986, p. 87). Consequently, the Department of Tourism within the Ministry of Commerce and Industry was established, aiming "…to executing a plan to encourage internal tourism" by building rest houses in the provinces for visitors from Muscat (EIU, 1986, p. 18). Thus, at that stage, the Omani tourism policy was concentrated on internal tourism only.

The first step toward international tourism was naturally regarding the GCC tourists, reflected by the abolishment of visa requirement for the 1987 *'Eid al-Adha* period (EIU, 1987). Indeed, already in 1988, a considerable number of GCC nationals visited Oman (EIU, 1988). At that stage, however, the preventive policy toward non-GCC tourists remained in force, despite the intensifying of economic difficulties resulting from low oil prices[7] combined with rapid population growth (see Table 1). The reason for this preventive tourism policy, it was claimed by the EIU - Economic Intelligence Unit (1986, p. 18), was "because it [the Omani authorities] was wary about the motives of any visitor not obviously coming to Oman to work; because it did not wish to expose an image of underdevelopment to the world; and because it did not have the infrastructure or staff to cope."

Table 1
OMAN'S INDIGENOUS POPULATION AND WORKFORCE, 1975-2003

Year	Indigenous Omani population ('000)	Indigenous workforce ('000)	Foreign Workforce ('000)	Total workforce ('000)	% foreign workforce of total workforce
1975	550	137	71	208	34.1
1980	805	152	171	323	52.9
1985	857	126	314	440	71.4
1990	1,024	152	305	457	66.7
1993	1,483	272	431	703	61.3
2003	1,782	443	432	875	49.4

Sources: Oman, 2004; Al-Yousef, 1995; Winckler, 2000.

THE EARLY 1990S: THE STRIVING FOR INTERNATIONAL TOURISM

In the early 1990s, however, the Omani tourism policy moved into the next phase and gradually began to open the Sultanate to non-GCC tourists. In January 1990, the visa regulations for foreigners were relaxed in an effort to stimulate the private sector businesspeople and non-GCC tourists alike. This change resulted from the fact that despite the rapid socio-economic progress which occurred in Oman during the 1970s and 1980s, at the early 1990s the Omani economy was still suffering from the following three fundamental shortcomings:

- **Increasing dependence on oil income**: By 1996, the oil sector comprised of 41% of the total Sultanate's GDP (*Ain al-Yaqeen*, 2004) and as high as 80.1% of the total exports, while locally produced goods represented only 6.0% of the total exports (EIU, 1997).
- **Relatively low proven oil reserves**: Unlike Saudi Arabia, Kuwait and the UAE, where oil reserves may last for at least two centuries, Oman's proven oil reserves are projected to diminish within a short period of time (al-Yousef, 1995). In 1997, Oman's proven oil reserves amounted to 5.280 billion of barrels only (*MEED*, 7 May 1999), declining further to 4.8 billion in 2005. Thus, in per capita terms, following Bahrain, Oman's proven oil reserves are the lowest among the GCC countries.
- **Structural unemployment**: Although the Sultanate adopted the labor force Omanization policy already in the early 1980s,[8] the number of foreign workers in Oman not only did not decline, but rather continued to increase. By 2003, according to the latest available data, the number of foreign labor in the Sultanate amounted to as high as 432,000 as compared with 305,000 in 1990 (see Table 1). The rapid increase in the numbers of foreign laborers in Oman resulted from the mechanism of the *dual labor market* that emerged. This consisted of one market for nationals who are employed almost exclusively by the public sector, with high salaries and good working conditions, while the other market, the private sector, employs almost exclusively foreign labor at low salaries. This twisted labor market mechanism, it should be emphasized, was one of the most prominent tools of the GCC authorities to spread the oil wealth among their citizenry (Winckler, 2006). The traditional idea among Omani young graduates, like their counterparts in the other GCC countries, was that a career in the public sector was the goal to aim for. As a young Omani entrepreneur in the tourism industry explained it: "If you find a governmental-paid position you are set for life" (Lancaster, 2003, p. 33). In June 2002, two decades following the adoption of the Omanization policy, the total number of Omani nationals in the private sector was only 63,179, including those in traditional occupations such as fishing and goat-herding, representing less than 15% of the total private sector workforce (Ernst & Young, 2003; *Gulf States Newsletter*, 16 May 2003).

Thus, as long as the economic expansion was rapid and the indigenous workforce was relatively small, *the dual labor market* structure constituted a "win-win situation" and worked for the benefit of both the nationals as well as the foreigners. However, with the sharp decline in per capita oil revenues parallel to the rapid increase in the national workforce, unemployment among young nationals steadily increased, amounting to as high as 20% in early 2005 (AME Info, 2005).

Due to the intensified socio-economic problems, in June 1995, the Omani authorities adopted a long-term socio-economic development plan, entitled "the Vision for Oman's Economy: Oman 2020" with three paramount targets: "diversification, privatization and Omanization." The Omani authorities eventually realized that the tourism industry had more potential than any other non-oil sector to contribute to the long-term Oman's socio-economic aims, as reflected in the "Oman 2020" plan. The major target of the tourism industry within the "Oman 2020" plan is to raise the contribution of the tourism industry to 5% of the GDP in 2020 from less than 1% in 1995 with an average annual growth rate of 6.1% (Oman, 2002a; *Ain al-Yaqeen*, 2006a).

The joining of Oman to the World Trade Organization in October 2000 enhanced remarkably the Omani "rush" into tourism development. This is because in the 1960s and 1970s the development of the tourism sector among many developing countries worldwide was in order to achieve economic diversification and to generate substantial employment opportunities to the rapidly growing workforce. During the past decade, however, a major drive for tourism promotion in many developing countries, including Oman, is because they can compete in the international tourism market without the need of tariff protection and extensive governmental intervention, as in all other competitive industries (Hazbun, 1997). Thus, although membership in the World Trade Organization produces numerous advantages, at the same time it creates considerable challenges, particularly to local industries that are forced to compete in international markets without governmental protection through tariffs and subsidies. This, however, is not including the tourism industry.

Overall, through the development of the tourism industry, the Omani authorities are striving to achieve the following targets:

- **Enhancing private sector activities:** The choice of the tourism industry as a paramount tool for enhancing private sector activities is due mainly to the fact that in comparison to other non-oil sectors, tourism development requires relatively little from the government, which has only to decide to remove the barriers for visas. The rest already exists, at least the basic needs of hotels, international airports, and various natural tourism attractions.
- **Development of the remote provinces:** In this regard as well, the tourism industry is more suitable than any other available economic sector. In mid-2005, Oman's Minister of Information, Hamed bin Mohammed al-Rashdi, said that: "One of the major objectives of the government is developing all the different regions — hence the tourism projects planned at sites across the country and the intensive road-building program to improve links to remote areas" (*MEED*, 10-16 June 2005, p. 36). In the case of Oman, in contrast to other GCC countries, due to the vast area of the Sultanate, development of the remote provinces became crucial, particularly in light of the expected rapid population growth in the foreseeable future (Oman, 2004).
- **Generating massive additional employment opportunities:** Not only that the tourism industry is heavily labor-intensive, it provides a wide range of entry points into the labor market for both high and low-skilled personnel. Thus, Dubai, Abu Dhabi and Qatar are trying to generate employment opportunities to nationals in the tourism industry *through* the import of vast numbers of low-skilled, low paid employees in order that medium and top managerial positions will be filled by nationals. In Oman, on the contrary, the governmental policy is that nationals will *fill* the vast majority of jobs in the tourism industry.
- **Increasing female labor force participation rates:** In the early 1990s, in contrast to the other GCC countries, the Omani authorities already recognized the crucial need for increasing national female labor force participation rates (Oman, 1991) in order to achieve reduction of the huge dependency ratio (resulting from the low labor force participation rates) and simultaneously to bring about fertility decline.[9] Since the tourism industry is not only a heavy-labor intensive, but also requires

a specifically female workforce, it was only natural that the Omani government would extensively promote this specific sector.

Oman's major tourism comparative advantages

In comparison to both the other GCC countries and worldwide, Oman enjoys some "natural" comparative advantages in the tourism arena, the most prominent are as follows:

- **Favorite climate for tourism:** In contrast to all other GCC countries, Oman has a wide and diverse landscape running from coastal, desert, mountain and even a lush subtropical climate in the southwestern region of Salalah. Thus, while European and North American tourists come to Oman in the period of October-April, in the summer period, tourists from the other GCC countries travel to Oman, mainly to Salalah which catches the tail of the monsoons and is relatively cool and wet just as the heat in other areas of the Arabian Gulf becomes unbearable (*MEED*, 16 June 2000).
- **Clean and plentiful beaches:** A recent report on the Omani tourism industry opened by stating that: "Oman offers some of the cleanest, most stunning beaches a visitor could hope to see" (*Ain al-Yaqeen*, 2006b). The coastline of Oman stretches from the Hormuz Strait in the north to the boundaries with Yemen in the south, thus emerging at three seas (the Arabian Gulf, the Gulf of Oman, and the Arabian Sea). In addition, the Sultanate's crystal clear waters and mile upon mile of deserted white sandy beaches support a vast array of marine life. Dolphins arch in and out of the deep blue water just yards offshore, while beneath the waves a magnificent selection of brightly colored fish weave in and out of the largely pollution-free coral reefs of the Indian ocean (Wells, 2000).
- **Large area:** Massive tourism development, particularly Triple-S tourism (sun, sea, sand), requires a large amount of land, particularly along the beaches. This, however, is not a problem in Oman which enjoys a huge coastline of 1,700 km. In Lebanon and Israel for example, the large amount of land and beaches demanded for Triple-S tourism is indeed a problem.
- **"New and exotic destination":** In total contrast to other industries, the international tourism industry is constantly looking for "new and exotic destinations" as the "older sites" lose their attraction. Among all of the Arab countries, there is no doubt that the most "unknown" is Oman. As noted by the *MEED* (15-21 October 2004:33): "Tell people outside the Middle East that you are going to Oman, and a fairly frequent response is to inquire if it is the capital of Jordan." In 2004 an official in Oman's Ministry of Tourism said that: "People used to describe this country [Oman] as the region's best kept secret. Well, now it is a secret we are happy to share" (Wells, 2004b, p. 51). In that case, when demand already exists, it is much easier to develop this particular industry more than any other industry where international competition constitutes a major barrier. Moreover, when the GCC countries started to develop their tourism industry during the 1990s, international tourism was already well developed globally with airlines, agents, and tour operators (Hazbun, 1997).
- **The tolerant attitude of the Omanis toward foreigners:** Compared to Saudi Arabia and Qatar, Oman takes a more moderate approach to its religion and thus also to non-Arab non-Muslim foreigners.[10] As such, although Oman is an officially Islamic country, alcohol is legal, although only in certain circumstances.
- **The image of a stable political-security country**: Oman is located in the "Middle East" and thus has suffered from the international and regional political-security events. However, Sultan Qabus was the most condemning of Islamic terror-

ism among all the Arab leaders,[11] and this, combined with the fact that no Omani national was ever caught being involved in any Islamist terrorism action, proved to be a great advantage to Oman in the area of international non-Arab tourism, in comparison to all the other Arab countries.

- **The intra-regional tourism option**: As in all the other GCC countries, the intra-regional tourism constitutes a "safeguard" for the Omani tourism industry in periods of security-political tension, either regionally or internationally. Thus, although in periods of political-security tension the number of non-GCC tourists naturally declined, the scale of intra-regional GCC tourism was rather increased.[12] This resulted in oil price increases, which led to higher profits for GCC nationals, and coincided with the increasing reluctance of many Western countries to allow tourism from the Arab countries (Ross, 2002; Martin, 2005; Wells, 2004a).
- **Lower salaries of the nationals**: Having never enjoyed the overweening wealth that characterized Qatar, UAE, and Kuwait, Omani nationals appears much readier to take on a wide range of jobs at modest salaries (*Gulf States Newsletter*, 16 May 2003). Consequently, while in the other GCC countries the vast majority of the employees in the tourism industry are foreigners, in Oman on the contrary, their percentage is much lower (see below). Lancaster (2003, p. 33) noted in this regard that:

  From the moment one enters the Sultanate this influence is obvious. A large proportion of the airport staff at Muscat's Seeb International Airport are Omanis. The taxi driver who transports you to your hotel, the reception staff that greet you there, are all likely to be Omanis.

Thus, while in the other GCC countries the actual meaning of tourism expansion entails increasing the number of foreign workers, in Oman the meaning is the addition of a vast number of new work opportunities for nationals.

- **The Wadis:** A unique tourism sites in Oman are the *wadi*s.[13] Some of Oman's *wadi*s have year-round running water, with deep, cool pools. The most famous Oman's *wadi*s are *Wadi* Bani Khalid, located about 203 km from Muscat in the Sharqiyyah region; *Wadi* Shab, located 76 km from Qurayyat; and *Wadi* Dhaiqah, located about 90 km eastwards from Bayt Hattat. Overall, Oman's *wadi*s are perfectly fit to motor sport (Oman, Ministry of Information home page; *Ain al-Yaqeen*, 2006b).

Table 2

NIGHT OCCUPANTS IN HOTELS AND SIMILAR ESTABLISHMENTS, BY REGIONS, 1982-2003

Year	Arabs*	Africans	Asians	Americas	Europeans	Oceania	Not stated	TOTAL
1982	13,142	637	9,368	--	41,929	--	--	65,076
1986	33,055	167	15,726	--	46,941	--	8,222	104,111
1987	37,671	382	16,196	--	45,972	--	31,390	131,611
1991	99,564	1,095	27,732	--	56,970	--	29,074	214,435
1992	121,299	1,158	30,641	--	69,742	--	37,771	260,611
1993	161,952	1,295	50,471	--	85,632	--	44,989	344,339
1995	145,674	1,850	52,240	--	92,650	--	59,767	352,181
2000	269,238	15,501	117,533	34,089	227,143	46,317	--	709,821
2001	346,150	15,771	109,221	48,574	196,625	5,379	27,575	749,295
2002	417,091	12,496	132,061	36,022	197,015	19,593	48,541	862,819
2003	467,877	12,748	139,406	36,356	163,855	13,591	53,157	886,990

** Including Omani, other GCC nationals and other non-GCC Arabs.*

-- No data available.

Source: Sultanate of Oman, Ministry of National Economy, Statistical Yearbook, various issues (Muscat).

Oman's tourism development in retrospect

As a result of the isolation policy, under the rule of Sa'id, in practical terms the tourism industry hardly existed in Oman. Thus, in 1970, at the end of his rule, there was only one small hotel in the Muttrah cornice (EIU, 1995).

One of the by-products of Oman's changing socio-economic policy following the ascendancy of Sultan Qabus was the beginning of tourism, although unintentionally, as the tourism industry at that time did not receive any governmental intervention. Thus, the beginning of Oman's tourism industry was aimed only to serve the needs of foreign investors and companies that started to work in the Sultanate following the "oil boom." In addition, in order to facilitate the implementation of the massive socio-economic development plans, Oman needed to expand its physical infrastructure in all aspects of sea, land and air. Thus, in 1972, the small airport at Bayt al-Falaj was replaced by the Seeb International Airport, which became Oman's largest Airport. Overall, during the first decade following the "oil boom," the Sultanate was busy establishing the basic infrastructure needed for a modern economy. At that time, even if the Sultanate had wanted to develop an international tourism industry, it lacked the basic infrastructure needed. Thus, in 1982, 12 years following Sultan Qabus' *coup d'etat*, there were only 14 hotels in the Sultanate with 1,564 beds (see Table 3).

The increasing integration of the Sultanate into the global economy during the 1980s

Table 3
OMAN'S TOURISM FACILITIES, 1982-2003

Year	Hotels	Hotel-beds
1982	14	1,564
1985	27	2,626
1987	26	2,795
1990	30	3,006
1993	35	3,427
1996	49	4,356
1999	99	7,573
2001	115	8,625
2002	124	9,208
2003	133	9,778

Sources: Sultanate of Oman, Ministry of National Economy, *Statistical Year Book*, various issues (Muscat)

required also the expansion of hotel capacity, as increasing numbers of foreign investors and businessmen came to the Sultanate. Thus, in 1985 two five-star new hotels were open in Muscat, the Bustan Palace and Sheraton (EIU, 1988). Altogether, in 1987, there were 26 hotels with 2,795 beds in Oman (see Table 3).

In January 1990, a new phase of Oman's tourism industry began. From that date, non-GCC tourists were entitled to a two week, no sponsor (*Kafil*) visa, issued by Oman's foreign mission within one week of application, and were also allowed to enter the country by road (EIU, 1995; *MEED*, 16 June 2000). It should be emphasized, however, that this change in visa regulations was not a by-product of other governmental aims (as had happened in the past), but was aimed specifically at encouraging non-GCC tourism. Despite the minimal attention given by the Omani authorities to the tourism industry until the early 1990s, during the years 1985-93 the Omani tourism industry expanded by an impressive rate of 12.5% on annual average (WTO, 1994). By 1993, the number of hotels in Oman amounted to 35 with 3,427 beds, more than double as compared with a decade earlier (see Table 3). The number of international tourists in 1993 amounted to 245,000 as compared with 126,000 only in 1988 (WTO, 1994).

During the second half of the 1990s, Oman's tourism industry rapidly expanded in line with increasing governmental attention to the tourism industry, the rapid increase of GCC tourists in the Sultanate and the continuing growth of an international tourism demand for "new and exotic destinations." In the year 2000, the number of international tourists in Oman amounted to 571,000 — more than twice their number in 1993 (WTO, 2002). Hotel occupancy accordingly increased, amounting to 709,821 nights in 2000, as compared with 352,181 nights in 1995, namely an increase of more than 100% within only five years (see Table 2). The number of hotels rapidly increased accordingly, amounted to 115 in 2001 with 8,625 beds (see Table 3).

A major factor in the Omani efforts to develop the tourism industry was the conducting of a large-scale travel and tourism survey in November 2000. The survey covered 10,000 Omani and expatriate families aiming to identify how Omanis and expatriate residents in the Sultanate take their holidays both in the Sultanate itself and abroad. The survey explored why people go on foreign trips as well as the amount they spend on their vacations in both the Sultanate and abroad. This survey was followed by another, carried out in February 2002, aiming to determine the numbers of visitors entering and leaving the Sultanate, the reason why they chose to take a trip to the Sultanate and the amount of money they spent during their vacation in Oman (Oman, 2002b; *Ain al-Yaqeen*, 2004).

Parallel to the conducting of the large-scale tourism survey, in the academic year of 2001/2 the Omani authorities established the Tourism and Hospitality Academy in collaboration with the Salzburg Tourism School and IMC University of Austria, with the aim of providing specific training for Omani nationals, who would be employed in the tourism industry (*Ain al-Yaqeen*, 2004). The students study for a higher diploma in tourism and hospitality and they may continue their studies in order to obtain BA degrees from universities outside the Sultanate, where there are mutual contractual arrangements. In 2004, the total number of the students in the academy was 353 (Oman, Ministry of Information home page).

Overall, during the early 2000s, Oman's tourism industry, similar to those in the other GCC countries, rapidly expanded. In 2003, the last year that the Omani authorities published data, the total number of hotels in the Sultanate amounted to 133 while the total hotel-beds amounted to 9,778 (see Table 3). In early 2006, according to unofficial data, the number of hotels in the Sultanate amounted to 147 and the number of hotel-rooms to 10,000 with 1,500 at five-star level, all of which are located in Muscat (Kamoonpuri, 2006; *Ain al-Yaqeen*, 2006a).

Oman's tourism Priority Action Plan (PAP)

A major step toward promoting international tourism was taken by the Omani authorities in June 2004 with the establishment of the Ministry of Tourism, aiming to centralize all tourism-related activities. Immediately following its establishment, the Ministry launched an overall tourism marketing program, named, "Oman — The Essence of Arabia." The new marketing program was operated alongside the detailed Oman's tourism master plan, known as Priority Action Plan (Wells, 2004b; *Oman Travel Market Newsletter*, February 2005) which focuses on the following arenas:

- **Eco-tourism:** The concentration on eco-tourism resulted from Oman's clear comparative advantage over the other GCC countries in this area, due to its different topography and climate, and offered something different from its neighbor Dubai, which enjoys a worldwide reputation as the major Arabian Gulf Triple-S tourism destination. As outlined in its Sixth Development Plan (2001-5), "eco-tourism is the watchword for Oman's tourism development" (Oman, 2001; Wells, 2004b). A number of sizeable initiatives in the area of eco-tourism are in the pipeline, such as the large project of the Ras al-Hadd in the Sharqiyyah region (*Oman Travel Market Newsletter*, February 2005).
- **High tourism quality:** The reason for the concentration on "high end" tourists is the regime's fear that mass tourism, particularly massive Western Triple-S tourism, might offend the sensitivities of the more traditional segments of the Omani indigenous population (WTO, 1998; EIU, 2003). Muhammad bin ‘Ali bin Sa‘id, the Director-General of Tourism in the Ministry of Commerce and Industry, said in this respect that: "We want quality not quantity. We do not want to rush and spoil it" (*MEED*, 16 June 2000:4).
- **Private sector leading:** A fundamental factor in the PAP is that the private sector would lead tourism development, while the government would concentrate on the building of the needed infrastructure, marketing abroad, and creating a conducive environment for further tourism development, in line with Oman's policy toward all of the non-oil sectors. In order to promote private sector investments in tourism, in November 2004, a Sultani decree permitted foreign freehold ownership of land in certain designated tourist areas. In addition, the Omani government offers a package of incentives and tax exemptions to private investors in tourism. Indeed, the private tourism project list in Oman has snowballed during recent years (*Ain al-Yaqeen*, 2006a).
- **Heritage conservation:** Western tourists are extremely interested in local traditional manufacturing and heritage, thus this feature is an integral part of the tourist industry. Furthermore, this development is also welcomed, naturally, by the conservative elements of the indigenous society, first and foremost the Bedouins. Thus, by prompting local heritage and manufacturing, the Omani government earn twice: once from the tourists that consume these products; and secondly from the support of the more traditional conservative elements.

Thus, Dubai and Bahrain adopted a policy that strives to expand the tourism industry as rapidly as possible, although taking into consideration the immense costs of this rapid expansion. Oman's tourism policy, on the contrary, aims to develop the tourism industry very carefully, step by step, in order to ensure that the tourism expansion remains in harmony not only with the entire economy, but with the social-religious-culture of the indigenous population as well.

Summary and conclusions

In general, during recent years, despite the frequent political-security events, the Arab region as a whole enjoys tourism prosperity, as the number of visitors has been increasing at an average rate of 9% annually for the years 2000-5 — faster than any other regional market. In 2005, the combined global tourism market share of the Arab countries reached as high as 5.5% — almost equivalent to the number of visitors to South-East Asia and Northern Europe. According to the WTO projections, the Middle Eastern travel and tourism industry is expected to grow by 4% on annual average during the period of 2005-14 (Wells, 2006; *MEED*, 16-22 June 2006). Specifically regarding the Arabian Gulf countries, a *MEED* report from mid-2005 noted that: "…business travelers and tourists are finding it increasingly difficult to get a bed" (*MEED*, 13-19

May 2005, p. 4). The tourism boom in the Arabian Gulf naturally attracts the world's leading hotel operators to the region. Overall, until 2009 the GCC region is set to see 80 new hotels open (*MEED*, 16-22 June 2006).

In the case of Oman, hotels occupancy rate in Muscat in 2004 amounted to 66.9%, a rise of 16% from the previous year. Room prices also increased from $76 per night in 2003 to $88 in 2004 (*MEED*, 13-19 May 2005). Throughout 2005 and early 2006, these two trends, of increase in occupancy rates and prices, have continued. Thus, for example, Grand Hyatt Muscat averaged 75% occupancy in 2004, which increased to as high as 85% in 2005. In Radison SAS Muscat, room occupancy rates in 2005 amounted to an average of 95%, as compared to 78% in 2004, which is also considered very high in itself. In Golden Tulip Seeb in Muscat, the occupancy rate in 2005 was 76%, increasing from 67% in 2004. In the other five-star hotels one can find similar trends. Munir Ahmed, the general manager of Grand Hyatt Muscat, recently said that: "…the hospitality sector witnessed occupancies veering toward the 100% mark on many recent occasions" (Kamoonpuri, 2006). Consequently, the private investments in the tourism sector are expected to reach approximately OR(Omani Riyal)400 million (US$1.04 billion) during the Seventh Five-Year Plan, 2006-10 (*Ain al-Yaqeen*, 2006a).

Thus, the share of the tourism industry within the overall Omani economy substantially increased from 0.9% of the total GDP on annual average during the period of 1996-2000 (Oman, 2001) to 2.2% in 2003, despite the devastating impact of the US-led Iraq's occupation on the entire Arabian Gulf tourism (*MEED*, 10-16 September 2004). As such, "…the tourism industry has been playing a big part in the country's economic diversification drive…," as said by the Omani Minister of Commerce and Industry, Maqbul bin 'Ali bin Sultan (*Khaleej Times*, 12 September 2006).

Also in the area of employment generating and Omanization the success of the tourism industry is quite impressive. Thus, for example, most hotels in Muscat have an Omanization level of approximately 30% (Omaninfo.com, 2006). In the Golden Tulip resort, nearly 50% of the total employees in late 2003 were Omanis (*Times of Oman*, 21 December 2003). The workforce at the Gulf Air call center is 100% Omanis (Wells, 2004b).

The high oil prices during the past five years[14] enabled the Omani government to spend a great deal of money on the building of tourism infrastructure, including the expansion of airports, building roads to the new tourism destinations, improving electricity and communication services, water, sewage, etc. In addition, the huge increase in oil revenues promoted intra-GCC tourism due to much higher income of the nationals, alongside the increasing difficulties of Arabs to obtain visas to certain Western countries, particularly to the US, due to their negative image following the September 11, 2001 events.

However, despite the immense tourism success so far in Oman, one should not ignore two major barriers to further tourism development: First and foremost is the ongoing increasing competition with the other GCC countries in both the arenas of intra-GCC tourism and Western tourism. It should be taken into account that Dubai's amazing tourism success in the past two decades were due mainly to the fact that the demand for tourism in this region was, and to a large extent still is, much higher than the available supply. However, although the international tourism industry is expected to expand rapidly in the foreseeable future, the strong competition could lead to the reverse of the trend from "over demand" to "over supply," leading to substantial declining revenues. As a *MEED* report on the GCC tourism from mid-2005 noted, "…the [tourism] industry could fall victim to its own enthusiasm. Analysts are beginning to warn that, by the end of the decade, when the bulk of the new hotels currently under construction open their doors, there may not be enough guests to fill the rooms" (*MEED*, 13-19 May 2005:4). The Jordanian tourism industry is an example of "over supply," as it already suffering from over-supply of hotel rooms, leading to declining prices and profits (*MEED*, 5-11 November 2003).

The second barrier is the political-security aspect. The major problem in this respect is that the tourists as well as many governments treat the Middle East as "a single entity." Thus, although Oman is one of the most secure countries worldwide with extremely low crime rates by any international standard, combined with the fact that Oman was never directly involved in any aspect of "the Middle East conflict," still, in periods of tension in "the Middle East region" it also suffered from a decline in international non-GCC tourism. Consequently, although until the present, in periods of political-security tension, the intra-GCC tourism filled the tourism vacancy, the expected "over supply" of hotel rooms in some of the GCC tourism sites would lead to a marked decline in marginal profits of the tourism and hospitality operators that might bring about the end of the "Arabian Gulf tourism success story."

Will the international tourism market continue to prefer the Arabian Gulf region in the next decade as well, when this area could lose its image of a "new destination"? What else can this area offer to Western tourism? Will the GCC countries succeed to cooperate between themselves in order to avoid devastating competition? These are crucial questions, the answers to which will determine the future of all of the GCC tourism industry. In the case of Oman, these questions are of particular importance in light of its diminishing oil reserves on the one hand, and small non-oil manufacturing industries combined with its expected continuing rapid population growth, on the other.

Notes

[1] The organization of the Gulf Cooperation Council (GCC) was established in May 1981 and includes: Saudi Arabia, Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates (UAE).

[2] Sa'id bin Taimur became the thirteenth hereditary ruler of the family which had ruled Oman since the 1740s.

[3] On the history of Oman prior to the ascendancy of Sultan Qabus, see: Skeet, 1985.

[4] Only in 1964 oil was discovered in the Interior, near Fahud (in the Western Omani desert) and production began in August 1967 by the Omani national oil company, Petroleum Development Oman (PDO).

[5] Advisor for Economic Planning to Sultan Qabus and the founder of the giant al-Zubair Cooperation.

[6] In 1986, Oman's oil export revenues amounted to $2.5 billion only, as compared to $4.7 billion in 1985 (UNESCWA, 1999).

[7] By 1988, Oman's oil revenues were $3.1 billion, declining from $3.5 billion in 1987 and $4.7 in 1985 (UNESCWA, 1999).

[8] The core of the Omani labor force nationalization policy was to reduce the dependence on foreign labor through their replacement by nationals. On the labor force Omanization policy, see: Winckler, 2000.

[9] In early 1994, following the publication of the December 1993 census results, Oman was the first among the GCC countries to officially adopted anti-natalist policy (Winckler, 2005).

[10] From a religious point of view, Oman's indigenous population is quite homogenous with the majority of the population being 'Ibadhis, who regard their own sect as the true successor to the original Muslim community of the time of the Prophet Muhammad (Allen, 1987).

[11] Thus, for example, on September 27, 2001, two weeks following the September 11, 2001 al-Qa'ida attacks on the US, Sultan Qabus said: "We are convinced that all forms and types of terrorism, and from whatever source, is an aggression against peace which all mankind cherishes" (Wells, 2001, p. 25).

[12] Thus, for example, in 2002 and 2003 there was a marked decline in the number of European and Oceania tourists in Oman, but at the same time the number of Arab tourists to the Sultanate remarkably increased (see Table 2).

[13] A *wadi* is a dried up riverbed found in the mountain valleys. *Wadi*s come into their own after heavy rains, when the rivers start running again and the vegetation is restored.

[14] Although Oman's oil production is constantly declining, the extent of price increase led to sharp increase of oil revenues to OR3.23 billion in 2005, compared with OR2.90 billion 2004 (Central Bank of Oman, 2006).

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