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**TRADE POLICY REVIEW**

REPORT BY

OMAN

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Oman is attached.

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Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Oman.

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## 1 INTRODUCTION

### 1.1 Sustainable Development and Renewed Renaissance

1.1. The Government of the Sultanate of Oman continued to adopt a trade policy based on economic openness despite the world economic crisis and regional challenges this policy continues to be based on four pillars: sustainable development with a stable macroeconomic framework; diversified, dynamic, and globalized economy, advanced human resource development, and efficient and competitive private sector.

1.2. Oman under the leadership of His Majesty Sultan Haitham bin Tarik will continue its renewed Renaissance march which promises stability and growth.

1.3. Vision 2040 is the guide and key reference for planning activities in the next two decades. In his address to the nation, His Majesty Sultan Haitham bin Tarik focused on the Vision, and its expected contribution in devising the country's economic, social and cultural goals, "in a manner that embodies a clear-cut vision and great expectation towards a more prosperous future".

1.4. The Vision 2040 garnered wide community participation. The vision committees consisted of representatives of the government, the private sector, civil society organizations, and citizens - in addition to experts, scholars, and specialists.

### 1.2 Oman Second Vision 2040

1.5. In 2021, Oman launched its Vision 2040 enshrines the long-term goals of Oman. The vision identifies economic diversification, fiscal sustainability, private sector development, the attraction of sizable foreign direct investment, and international cooperation, among others, as national priorities to be realized in the next twenty years. The vision outlines twelve national priorities and their key performance indicators to help the country in its economic and social development.

1.6. The vision attaches great importance to governance and its related topics, given that it influences all national priorities in terms of enforcing oversight, ensuring the effective use of national resources, honouring principles of integrity, justice, transparency, and accountability to boost confidence in the national economy and promote competitiveness across all sectors under the rule of law.

1.7. While foreseeing the future progress and development aligned with an ambitious work system, its blueprint, which was unveiled last year, targets several economic indicators including a commitment to raise real GDP per capita by 90% and real GDP growth by 5% annually during the next 20 years. It also targets to enhance the contribution of Foreign Direct Investment (FDI) to GDP by 10%. Furthermore, it envisions the share of no-oil activities to grow to more than 90% of GDP, as well as a 40% contribution to job creation by the private sector.

1.8. The vision also foresees a society with flexible yet strong agencies, all-encompassing governance, effective supervision, swift justice, efficient performance, and active and ever-renewing media, aided by an empowered civil society that participates in all aspects of life, towards higher levels of human development.

1.9. The 10<sup>th</sup> Five-Year Plan is the first executive plan under Oman Vision 2040, which covers 12 priorities under the four themes — a society of creative individuals, a competitive economy, environmental and natural resources, besides a state with responsible apparatus.

1.10. To reach a diversified and sustainable economy, interacting with new developments and variables, capable of competing in the international community, ready to meet the needs of citizens present and future, the Ministry of Commerce, Industry and Investment Promotion seeks to develop an action plan for the next phase, in line with its vision and its objectives in line with the Vision of Oman 2040, based in its methodology and programs on the terms of reference entrusted to this ministry and the tasks entrusted to it. Based on the Royal Decree No. 97/2020 to amend the name of the Ministry of Commerce and Industry to the Ministry of Commerce and Industry and Investment Promotion and determine its terms of reference and adopt its organizational structure, according to four axes: serving the provinces and meeting the needs of their citizens, improving the quality of

services through digital transformation, granting the powers to operational departments to achieve decentralization, and contributing to the growth and sustainability of the national economy.

## **2 ECONOMIC DEVELOPMENT**

2.1. Despite, the Omani economy already witnessing a slowdown, has been severely hit by the dual shock of lockdown and a steep decline in oil prices unleashed by the COVID-19 pandemic. The Government under Oman Vision 2040 which is comprehensive and covers all aspects of development and real opportunity hopes to move to a new stage of progress.

### **2.1 Economic Growth**

2.2. Since the second half of the year 2014, The Omani economy has been faced with falling crude oil prices witnessing a slowdown during 2019, after registering robust growth in the previous two years.

2.3. The average growth rate of GDP at current prices during the five years from 2014 to 2019 was -1.38%. Nominal GDP fell by 4.3% in 2019, with hydrocarbon and no-hydrocarbon activities contracting by 8.4% and 1.5%, respectively. Inflationary conditions, however, continued to remain benign, providing a cushion to people at lower income strata as well as supporting stability. Despite lower oil prices, fiscal and external accounts recorded some improvement during the year, reflecting some success of the public policy on fostering macroeconomic stability. Despite OPEC+ extending the production cut agreement, oil prices remained under pressure in 2019 and stood lower than those of the preceding year.

2.4. As per the preliminary data released by National Center for Statistics and Information (NCSI), Oman's nominal GDP showed a decline of 16.5% during the third quarter of 2020 over the same period of the year 2019. The contraction was driven by a 24.4% decline in the hydrocarbon sector coupled with the decline in the non-hydrocarbon sector by 12.4% during the third quarter of 2020.

2.5. The Sultanate Consumer Price Index (CPI) witnessed a year-on-year (Y-o-Y) negative growth of -0.9% during January-December 2020.

2.6. Another dimension of the success of Oman's economic diversification is exporting. The share of the oil and gas sector in Oman's GDP was 33%, oil and gas exports together accounted for 68.5% of total merchandise exports. And the share of non-petroleum industrial activities on average was 19%, while the share of agriculture and fisheries was 2%. The share of services sectors in GDP at 46% after two consecutive years of accelerated growth, non-petroleum exports fell sharply by 13.3% from OMR 3,727 million in 2018 to OMR 3,230.6 million in 2019. The export of "products of chemical or allied industries", "mineral products", and "base metals & articles of base metals" together, which contributed about 64.5% of total non-petroleum exports, witnessed a contraction of 17.3%.

2.7. According to the data released by the National Centre for Statistics and Information (NCSI), at the end of November 2020, Oman had a fiscal deficit of Rial Omani (OMR) 3,023 billion, which has accelerated amid low pressure experienced by the Omani economy and has increased as 2020 progressed. Several measures aimed at containing the outbreak of the COVID-19 pandemic in conjunction with a steep decline in oil prices have adversely affected economic activities. Though economic activities have been largely resumed by the present, social distancing measures continue to weigh on the economic outlook.

2.8. Despite all these challenges, the Government, however, continued to pursue reforms to reinstate macroeconomic stability in the Sultanate. Consequently, fiscal and current accounts recorded some improvements during the year, the government continues to pursue macroeconomic stability through a combination of policies which include: (i) the implementation of a value-added tax and amendments to several existing taxes, continuing to improve the domestic business environment, also the Government is making progress on its National Program for Fiscal Balance (Tawazun), which is overseen directly by Oman's Sultan and targets primary fiscal balance by 2024. It has identified fiscal measures with a potential impact of OMR 3.5 billion (about 14% of GDP and 19% of non-oil GDP).

2.9. The measures taken by the Government include 10% cut to civil and security current expenditures, the introduction of VAT and, electricity and water tariff reform, further current spending cuts, and a cap on development spending.

2.10. The Government and other stakeholders have been continuously striving to promote diversification in the economy through increased participation of the private sector and foreign investors. Oman provides excellent transportation and logistics infrastructure and a conducive business environment. Furthermore, Oman is strategically located in terms of accessibility and hence, it offers immense potential to become a gateway to the Gulf and Asia region for multinational companies (MNCs) and global value chains (GVCs). The Government has implemented various structural reforms, including the promulgation of several important laws related to Foreign Capital Investment, Privatization, Public-Private Partnership, and Bankruptcy, in the recent past to improve the business environment and the functioning of the labour market so that Oman could provide a competitive edge to foreign investors. These reforms coupled with the existing potential and strategic location would facilitate higher inflows of FDI in the Sultanate, especially in non-hydrocarbon sectors.

2.11. The trade surplus grew to OMR 7,009 million in 2019 compared to OMR 6,953 million in the previous year. The current account deficit declined to OMR 1,592 million in 2019 from OMR 1,648 million in the previous year.

## **2.2 Diversification of the Economy**

2.12. Due to the acceleration of the economic, financial, and social challenges encountered by the Sultanate of Oman to diversify the sources of the national economy and achieve the goals and objectives of the 9<sup>th</sup> Five Year Plan (2016–2020), it was inevitable to launch an initiative to address and cope with these variables.

2.13. Therefore, the National Program for Enhancing Economic Diversification broke forth, as this program addresses the challenges, difficulties, and issues that encounter the Government, private and civil parties, and bodies towards achieving the goals and objectives of the 9<sup>th</sup> Five Year Plan (2016–2020), and to develop a detailed road map with the partnership from all walks of the society to put into force the solution and follow up the implementation and completion thereof.

2.14. The National Program for Enhancing Economic Diversification comes as a national initiative to be implemented within the framework of the 9<sup>th</sup> Five Year Plan (2016–2020) and to achieve the optimal benefit to be derived from what was realized in terms of the basic infrastructure during the previously implemented and subsequent five-year plans while focusing on the basic sectors targeted under the economic diversity program according to the plan as determined under Royal Decree No. RD 1/2016 namely; the manufacturing, tourism, logistics, mining, and fishery. The Plan aims at increasing the percentage of these sectors participation in the Sultanate's Gross Domestic Product (GDP) and increase investment in promising sectors and generating more job opportunities.

2.15. The project aimed at expediting the execution of the plans in the field of boosting and enhancing economic diversity and help and render all possible support to the government to drive benefits from the best successful practices in the field of social and economic planning, allocate its budgets in projects with remarkable economic revenues and added value that will help avail job opportunities for Omani citizens and to achieve the objectives, programs and policies for economic diversity, besides setting an integral and transparent plan to increase foreign and internal investments in the Sultanate of Oman to help lift the degree of competitiveness in the different social and economic indicators, support the related-parties for the efficient execution of their projects and plans according to the best general accepted practices in addition to improving the efficiency and bridge gaps of cooperation and participation among all concerned parties, to set indicators sufficient to measure certain goals and to serve as an accurate tool for follow-up and execution, determine certain percentages of non-government capital investments, provided however that it will not be less than 80% to finance the sector's key initiatives for the program and to increase the gross domestic product in the Sultanate of Oman.

2.16. Several reform measures have been implemented since the beginning of 2016, including optimizing government expenditures as well as increasing non-oil revenues through introducing certain measures such as: value-added tax, new excise duties, ex-pat levies, and fees and energy price reforms.

2.17. The share of non-petroleum activities in GDP was 59.9% in 2014, 72.4% in 2015, and 74.4% in 2017. However, it dropped to 67.8% in 2018 in the context of lower oil prices. On the other hand, the total exports of Oman decreased by 28% from 2014 to 2019, and the decline of non-oil exports during the same period was 22%.

### **2.3 Privatization**

2.18. The privatization mandate remains to be of importance given Oman's vision to have a larger contribution of the private sector in the economy. Post the royal decree of the establishment of Oman Investment Authority, government companies are now part of the authority and it will pursue the privatization mandate going forward. The objectives of privatization are:

- Opportunities to the private sector to contribute to the development of the national economy and encouragement of foreign investment.
- Creation of competition and enhancement of efficiency of resource utilization.
- Increased employment opportunities for citizens in the private sector.
- Reduction of financial and administrative burden on the government.

2.19. Royal Decree No. 51/2019. The law sets out procedures for the privatization of government facilities to expand the role of the private sector.

2.20. The privatization process has progressed in the electricity sector, in the power and related water sector, in the telecommunications sector, in the transport sector, and wastewater and hazardous waste sectors.

2.21. Oman has issued Royal Decree No. 52/2019 promulgates the Law on Partnership between Public and Private Sector. The law encourages investments by the private sector in the public sector to encourage a diverse range of national income sources.

## **3 INVESTMENT REGIME**

3.1. The investment regime is a priority area of Oman's economic development. As a matter of conscious policy, Oman actively promotes both domestic and foreign investment to enhance economic growth and development.

3.2. In October 2020 Oman has formed National Competitiveness Committee. This committee's mandate is to supervise efforts aimed at raising the competitiveness of the Sultanate in the international indices. It also proposes the necessary policies and laws to improve the Sultanate's competitiveness internally and collaborate with other concerned parties to achieve this aim. The Committee will focus on the international indicators included in Oman Vision 2040 to assess performance in the next stage.

3.3. In 2019, the Foreign Capital Investment Law was promulgated by Sultani Decree No. 50/2019. It aims to boost and promote foreign capital investments in the Sultanate by expanding investment sectors. Oman provides an open and liberal investment policy aimed at attracting and facilitating investments. It offers investment-friendly legislation, a free-market economy, and a stable macroeconomic environment.

3.4. Repatriation of capital and profits is not restricted. Under the Foreign Capital Investment Law, expropriation or confiscation of foreign investment is prohibited except in the case of public interest but that only against fair compensation.

3.5. Oman's former Public Authority for Export Development and Investment Promotion (PAIPED) was transformed to the Ministry of Commerce & Industry and Investment Promotion with the issuance of the Royal Decree No. 97/2020. The Ministry aims to contribute to the promotion of investment opportunities in Oman and to bring quality investments in the sectors of economic diversification. And sponsoring and sustaining national and foreign investments by creating the right environment for their success and development.

3.6. A One-Stop-Shop has been provided by Oman in the Ministry of Commerce, Industry and Investment Promotion for assisting domestic and foreign investors in meeting all formalities related to investments. This enables investors to set up companies in a very short time, minimizing paperwork and costs.

3.7. Oman is a member of international institutions concerned with investment protection and guarantees such as the International Center for Settlement of Investment Disputes and Multinational Investment Guarantee Agency.

3.8. Oman is an attractive destination for foreign direct investment because of its political stability, strategic location, highly developed infrastructure, and business-friendly economic policies.

3.9. Foreign direct investment (FDI) reached OMR 15.06 million at the end of the first quarter of 2020.

#### **4 HUMAN RESOURCE DEVELOPMENT**

4.1. The principles of the Blessed Renaissance relied on the Sultanate's real wealth, the Omani citizen, who is the core and target of the development process. To turn this principle into reality, investments have continued to be made in the Omani people since the early seventies to develop the education and training systems. Policies and programs aimed at providing Omanis with knowledge, skills, and experience have also been initiated. The Sultanate has paid great attention to the health and intellectual dimension of the Omani people.

4.2. In the Human Development Report 2019, the Sultanate has been ranked 5<sup>th</sup> in the Gulf region and 47<sup>th</sup> in the Arab world on the Global Human Development Report. Oman's HDI value for 2019 is 0.813 - which puts the country in the very high human development category - positioning it at 60 out of 189 countries and territories.

4.3. Between 2000 and 2019, Oman's HDI value increased from 0.693 to 0.813, an increase of 17.3%. This achievement due to the great achievements made by the Sultanate in the health and education sectors.

4.4. According to Oman Vision 2040, the focus in this area is to develop the human resources and capabilities of Omani people to generate and manage technological changes efficiently, in addition to face the continuously changing local and international conditions.

4.5. The human resource development strategy of Oman is based on:

- Achieving a balance between population and economic growth by reducing the population growth rate to less than 3%.
- Provision of health services and reduction of the rate of mortality.
- Dissemination, encouragement and patronage of knowledge and development of education.
- Establishing post-secondary and technical education system and vocational training.
- Creating employment opportunities for Omanis in the public and private sectors.
- Increasing the efficiency of the labour market by narrowing differences between public and private sectors.

4.6. These objectives are sought to be achieved by expansion of university education, raising enrolment rates in higher education and professional institutions. The Government gives top priority in allocating resources for the implementation of programs relating to the education and training sectors.

4.7. A number of high-grade educational institutions are operating in Oman, the best of which is the Sultan Qaboos University. Sultan Qaboos University (SQU) is ranked number 1 in Oman. SQU is ranked at number 379 in the world's top universities according to the London-based Quacquarelli Symonds (QS). The university is also ranked number 10 in the QS Arab Region 2019 ranking, and also placed in the 151-200 bracket in the QS Subject Matter Ranking.

## **5 IMPORTANT DEVELOPMENT PROJECTS**

### **5.1 Oman Logistics Strategy**

5.1. Oman has formulated a national logistics strategy 2040 in 2015 that has been implemented by Oman Logistics Center. The Center is working in cooperation with government agencies and the private sector to enable the implementation of several initiatives from the Trade Facilitation Agreement of the World Trade Organization. Following are the most important achievements during the period 2014-20 which are related to the trade policies:

- Key highlights of the WTO Trade Facilitation Agreement (TFA) implementation in Oman: Advance Rulings were implemented, Post-Clearance Audit was implemented, Pre-arrival processing was implemented: 22% of import shipments are now customs cleared before arrival, Electronic Access to information on requirements for trade was implemented, Customs and other control agencies apply Risk Management and have significantly reduced inspections, Customs clearances can be carried out with electronic copies only.
- Single Window was implemented in Oman. The Bayan system connects Customs, other Government control agencies, and traders and provides paperless clearances.
- TIR Convention (The Customs Convention on the International Transport of Goods under Cover of TIR Carnets) was ratified and made operational in Oman. The Convention significantly facilitates movements of cross-border trade in the sub-region.
- The Government mandated all border crossing points and related Government control agencies to provide service 24/7. Border services are streamlined under "one-stop-shops" to minimize inspections.

### **5.2 National Innovation Strategy**

5.2. The vision and progress of Oman in its endeavour to become one of the top 20 countries in innovation by 2040.

5.3. Oman has launched a National Innovation Strategy, driven by a combination of condition-driven and future-foresight approaches using the Delphi approach. In 2015, the ranking of the Sultanate had improved by 21 points since 2013 then ranked 69 from 141 countries. The increase of programs, research and innovation activities, and an encouraging environment all positively contributed to this achievement. The four pillars of the National Innovation System are human capital, institutional and community integration, economic diversification, and IP and knowledge transfer. Oman's targets are illustrated below across a range of performance indexes. Oman aims to create an enabling environment, create jobs, economic diversification, and enhance living standards. If the Sultanate maintained the level of a 2-point increase annually in Innovation, then Oman will become among the leading countries in the next 25 years.

## **6 TRADE POLICY DEVELOPMENT**

### **6.1 Objectives of Trade Policy**

6.1. The trade policy of the Sultanate of Oman is rooted in the principles and rules of the multilateral trading system. As an old trading nation, Oman is conscious of and recognizes that a rule-based international trading system and open and liberal markets are important for the world economy, for economic development, and for raising the living standards of people around the world, especially for the populations of developing countries.

6.2. It is in its firm belief in the foregoing principles that the Sultanate of Oman joined the World Trade Organization in 2000. Even before joining the WTO, Oman had in practice been following the rules and basic principles of the multilateral trading system. Since it acceded to the WTO, Oman has strictly abided by the provisions of the WTO agreements and it expects all WTO Members to adhere to the mutually agreed rules. Oman strongly believes that adherence to WTO rules would ensure expansion and liberalization of international trade for the welfare and prosperity of people around the world. An open and liberal trade policy is welfare-oriented and people-centric.

6.3. The broad objectives of Oman's trade policy are: Expansion of trade leading to the economic development of the country, Expansion, and growth of production of tradable goods and services, Securing greater market access for Omani goods and services, creation and expansion of employment opportunities for Omani people, ensuring availability of goods and services at reasonable prices in the domestic market, protecting the interests of consumers, and raising the living standards of the people of Oman.

6.4. The Ministry of Commerce, Industry & Investment Promotion is the focal point for the formulation and implementation of Oman's trade policies. Proposals for the formulation of specific trade policies are initiated by the Ministry, where relevant in consultation with concerned Ministries. The proposals after approval by the Council of Ministers are implemented, as appropriate, either by the issuance of Royal decrees, subject to the approval of His Majesty the Sultan or by Ministerial decisions.

6.5. The importance of trade policy is reflective of Oman's high dependence on foreign trade; the trade to GDP ratio of Oman is 81.5 as of the end of 2019.

## 6.2 Tariffs

6.6. Oman has a simple, uncomplicated tariff regime. Tariffs are the main instrument of Oman's trade policy. These apply to imports on most favoured nation (MFN) basis, except for imports from WTO Members with which Oman has regional trade agreements or free-trade arrangements.

6.7. Oman has bound import tariffs on all agricultural and non-agricultural products with no exceptions. The simple average of its bound tariffs for all products is 13.7%, that for agricultural products is 27.7% and for non-agricultural products, it is 11.6%. The non-agricultural products of Oman are a little more than 88%. As a result of binding 100% of its tariffs, Oman provides stable and predictable conditions of access to its market for WTO Members. Bound tariffs for non-agricultural products range from 0 to 25%. However, for more than 97% of non-agricultural products, these are 15% or less.

6.8. The applied tariffs of Oman are very low, at 4.8%. It may be argued that there is quite a gap between bound and applied tariffs. However, that is neither unusual nor against WTO rules. The GATT/WTO rules clearly say that import duties should not be higher than bound rates, which means that these can be lower than the bound rates. The rules do not say and do not imply, directly or indirectly, that the applied tariffs should be at or close to bound rates.

6.9. All Oman tariffs are at *ad valorem* rates. There are no specific duties. Oman also does not apply any tariff quotas.

## 6.3 Other Measures Affecting Imports

6.10. Oman has bound other duties and charges at zero in its Schedule of Tariff Concessions and Commitments and it is strictly abiding by this commitment. Similarly, Oman starts to apply internal taxes to imports such as VAT, sales tax, or excise duties according to the decision between the GCC member States, also this will help the government to solve the financial effect by the lower prices of oil. Concerning regulations and requirements affecting the internal sale, purchase, transportation, distribution, or use of products, Oman is committed to the disciplines of Article III of the GATT 1994.

6.11. Oman has no prohibitions or quantitative restrictions on imports except a few which are justified under Articles XX and XXI of the GATT 1994, for security, health or safety reasons or

necessary to protect public morals. Oman has been submitting periodic notifications on Quantitative Restrictions to the WTO Secretariat.

6.12. As for the valuation of imported goods, Oman has implemented the WTO Agreement on Customs Valuation, through the GCC Common Customs Law and its Implementing Regulations. It may be of interest to WTO Members to know that Oman does not use import licences for any purpose.

6.13. Preferential rules of origin apply to imports from the GCC member States and Arab countries members of the Pan Arab Free-Trade Area as well as imports from the United States of America and Singapore and EFTA member States.

#### **6.4 Measures Directly Affecting Exports**

6.14. Oman does not apply any export duties. However, it reserves the right to apply export duties, as permissible under WTO rules, if and when it is deemed necessary. There are no export licensing requirements or procedures nor any export performance requirements. Export prohibitions are very few, relating to antiques, ancient manuscripts and old coins. Three species of fish are subject to export restrictions during breeding and reproduction season, for environmental reasons.

6.15. There are no special procedures or requirements for exports. Any firm or individual, Omani or foreign, which has relevant commercial registration can engage in export trade.

#### **6.5 Exports Subsidies and TRIMs**

6.16. In terms of its commitment at the time of its accession to WTO, Oman does not provide, maintain or introduce any prohibited subsidies as defined in the WTO Agreement on Subsidies and Countervailing Measures.

6.17. Oman does provide domestic subsidies to industries in the form of soft loans by Oman Development Bank. However, these are non-specific, available to all industries and all enterprises.

6.18. Credit Oman (formally known as: Export Credit Guarantee Agency of Oman) provides export and domestic credit insurance services for goods and services to promote Oman's non-oil export and domestic trade against commercial and non-commercial risks.

6.19. Oman does not apply any prohibited trade-related investment measures (TRIMs).

### **7 SECTORAL DEVELOPMENT**

#### **7.1 Agriculture and Fisheries**

7.1. Agriculture and fisheries are a smaller sector of Oman's economy. The Agriculture and Fisheries share to the GDP was 79% in 2019. In terms of nominal GDP, agriculture sector growth during 2018-19 was 3.43%, and fisheries sector growth during 2018-19 was 4.80%. However, this sector has a big social impact in terms of rural development, food security, and employment in the countryside.

7.2. The main target of Oman's agriculture sector is to achieve food security. Because of that it does not grant any export subsidies. Oman is 83% self-sufficient in vegetables, 28% in fruit, 51% in red meat, 54% in poultry, 67% in milk and milk products and 57% sufficient in eggs.

7.3. To improve the agriculture sector, the Ministry of Agriculture and Fisheries and Water Resources carried out many research and extension activities to educate the farmers and increase their awareness. In 2019, the Ministry completed research projects, and are still on-going. These research activities include genetic resources, toxic residuals, soil and water management, and biological control. The Ministry also implemented about extension activities in 2019.

## 7.2 Manufacturing

7.4. The manufacturing sector growth from 2014 to 2019 was around 0.1. The decline rate in 2019 was 4.6%. The share of manufacturing in Oman's GDP in 2019 was 10.5%.

7.5. The industrial strategy 2040 has set a target of raising the share of manufacturing to 15% of the GDP by 2040.

7.6. The Industrial strategy (2021-2040) envisages an annual growth rate of 5.3% at constant prices.

7.7. The manufacturing sector is largely based on products of chemical and allied industries, articles of base metals, plastic, rubber and articles thereof and textiles, clothing and made-ups.

## 7.3 Oil Sector and Mining

7.8. Volatility in international oil prices has considerable implications for Oman's international trade and the economy, underpinning the need to reduce dependence on the petroleum sector. Oil and gas sector dominates Oman's economy. Its share in GDP in 2019 was 34.4%. The importance of this sector can be gauged from the fact that net oil and gas revenues as a percentage of GDP were 28.7% in 2019, and represent 79.6% of government revenues. The share of oil and gas in Oman's exports in 2019 was about 68.5%.

7.9. Oman exported 87.6% of crude oil production in 2019, with China remaining as a top destination. Oman's natural gas production registered a marginal increase of 1.1% in 2019.

7.10. The production of crude oil declined by 3.4% in 2019, giving a daily average of 843,000 barrels.

7.11. The petroleum sector constituted 68.5% of total merchandise exports in 2019, higher as compared to 65.4% in 2018. The non-petroleum exports also contracted this year by 13.3% compared to last year, while the re-exports fell by 20.9%. The non-petroleum exports constituted a share of 21.7% of total merchandise exports. Non-petroleum exports and re-exports together constituted 31.5% of total merchandise exports in 2019 compared to 34.6% in 2018.

7.12. Oman has pursued a policy of economic diversification by utilizing more and more hydrocarbon resources to develop value-added industries based on oil and gas. These include petrochemical and energy-intensive industries.

7.13. Mining and quarrying is a relatively small sector of Oman's economy but it has a big potential. Oman is pursuing a policy of exploiting this sector within the framework of its economic diversification strategy. Some companies are conducting mineral exploitation and operations in Oman. The major mining products are limestone, gypsum, marble, iron, and chromite.

## 7.4 Services

7.14. Services are an important and growing sector of Oman's economy. It comprises mainly banking and financial services, telecommunication services, tourism, and related services and business services.

7.15. The share of services in GDP 48.1% in 2019. The value-added in the services sector in 2019 declined by 0.8% over the previous year. Oman has made specific commitments in 10 sectors and 97 sub-sectors of services.

7.16. The banking sector comprises 18 banks, which include 9 local commercial banks, 9 foreign banks and two specialized banks (Oman Housing Bank and Oman Development Bank). Since Oman's accession to the WTO in November 2000, 9 foreign banks were licensed in Oman and remained the same number until the end of 2019.

7.17. The financial services sector (other than banking) includes 5 non-bank financial and leasing companies, 20 insurance companies (of which 11 are local and 9 foreign), 15 insurance and reinsurance brokers, 48 money exchange establishments, and 20 stockbrokers.

7.18. The telecommunication services sector is regulated by the Telecommunications Regulatory Authority (TRA). The Ministry of Transport, Communication & information technology role is to formulate policies related to the sector. Currently, there are three companies offering landline telephone and internet services namely Omantel, Nawras, and a consortium of Awasr Oman and PCCW International. There are two mobile operators namely Oman Mobile, Ooredoo Telecom and Vodafone.

7.19. Tourism and related services development is an important government objective aimed at diversification of the economy. The Ministry of Tourism & Heritage is responsible for the comprehensive development of the sector.

## **7.5 Regional and Bilateral Trade Liberalization**

7.20. In line with the WTO commitments and complementarity to the efforts in the WTO, Oman is also engaged in strengthening its bilateral ties with several countries and economic blocs. Oman has free trade agreements with GPAFTA, the United States. It is also part of the GCC Agreement. Furthermore, GCC has free trade agreements with Singapore & EFTA States.

## **8 OMAN, WTO AND DOHA DEVELOPMENT AGENDA**

### **8.1 Oman and WTO**

8.1. Oman became a Member of WTO since November 2000 becoming the 139<sup>th</sup> Member of the organization. It was in the belief that the WTO provides a framework of mutually agreed, legally enforceable rules for the conduct of world trade, an effective mechanism for the implementation and enforcement of these rules, an elaborate and well-functioning system of dispute settlement, and a multilateral forum for trade negotiations.

8.2. Oman believes the WTO is the best available forum for liberalization and expansion of international trade and a bulwark against protectionism. The rule-based system of the WTO is of benefit to all Members, but in particular to the smaller, developing countries. The WTO has stood the test of time and proved its utility and effectiveness in the Great Recession of the first decade of this century.

8.3. Oman is an active participant in the regular activities of the WTO. It participates in the meetings and deliberations of important Councils and Committees of the WTO, in particular the General Council, the Council for Trade in Goods, the Council for Trade in Services, the TRIPS Council, the Committee on Trade and Development, and various other Committees and Working Parties.

8.4. Oman has joined the group of Recently-Accessed Member (RAM). In this context, Oman supports the RAMs Group position referring to the exceptionally significant and extensive commitments made by the group members upon accession as compared to those made by members that joined the WTO during previous rounds of negotiations and reflecting the group's concerns on the current workflow of the negotiations within the Doha Development Agenda DDA.

8.5. Oman collaborates with all Members of the WTO on important ongoing activities. It collaborates closely with developing countries, with members of the Arab Group, and in particular with its GCC partners.

### **8.2 Doha Development Agenda**

8.6. Oman attended the Doha Ministerial Conference in 2001 as a full Member of the WTO and had supported the Doha Ministerial Declaration and the program of work including the subjects for negotiations. The DDA negotiations were launched with great promise. Its objectives are laudable. However, it is a matter of regret that even after around 20 years these objectives yet to be realized.

8.7. Oman had been actively participating in different areas of negotiations, of course focusing on its particular interests. Oman has also made contributions in different areas, including in-built contributions during its accession process. Oman could consider further contributions commensurate with its position as a small developing country with a narrow export base (other than oil). Oman's objectives in the negotiations are greater and liberal market access on a predictable basis for its non-oil exports. Additional objectives include improvement of WTO rules and dispute settlement procedures where relevant.

8.8. Oman continues to support the original objectives of the DDA which should remain undiluted. The interests of developing countries must remain at the heart of DDA negotiations.

8.9. Fisheries negotiations are very important for Oman. The fishing sector is one of its strategic sectors and key to Oman's economic diversification efforts.

8.10. Special and Differential treatment provisions are an integral part of the WTO agreements and the mandate in paragraph 44 of the Doha declaration to strengthen and making them more precise, effective, and operational should be given the same level of importance as other issues in the 12<sup>th</sup> Ministerial Conference (MC12) package.

8.11. Oman needs to make sure that the Joint Statement Initiatives (JSIs) do not undermine the Multilateral Trading System and consensus-based decision making.

8.12. On Trade and COVID-19, Oman believes that access to the affordable vaccine should be a priority to all Members of the WTO in the coming ministerial Conference.

8.13. Regarding the Moratorium on E-Commerce. It is important to extend the moratorium, but it is equally important to re-invigorate the 1998 E-Commerce Work Program.

8.14. Oman looks forward to a successful conclusion of the Doha Round. Which would enhance the status and credibility of the WTO.

## **9 FUTURE DIRECTION OF OMAN'S TRADE POLICY**

9.1. Oman will continue to pursue an open and liberal trade policy based on the principles and rules of the multilateral trading system. It will continue to abide by its WTO commitments and continue to work with other WTO Members to ensure that all Members fulfil their commitments in letter and spirit. Oman would cooperate with other countries to strengthen the WTO, especially its rather tarnished negotiating functions.

9.2. Oman will continue with its policy of considering the WTO as the primary forum for trade negotiations. Oman has and would selectively conclude preferential trade agreements within the framework of the GCC. However, Oman considers preferential regional trade agreements as complementary to the multilateral trading system and not a substitute for it.

## **10 ANNEX - TECHNICAL ASSISTANCE NEEDS OF OMAN**

10.1. Oman is grateful to the WTO Secretariat for providing technical assistance in the past years. However, technical assistance is always needed and is welcomed by Oman. Below are the priority needs of Oman:

- More training facilities for Omani officials in Trade Policy Courses.
- Organization of general and subject-specific trade policy seminars, and workshops in Oman.
- Organization of more regional seminars, workshops and trade policy courses in the GCC region.
- Organization of trade policy seminars for the business community in Oman.

- Help and assistance in meeting numerous notification obligations.
  - Upon request, to prepare background papers and notes on different subjects and issues under discussion in the WTO Councils and Committees and the multilateral trade negotiations.
  - Upon request, to prepare technical and explanatory notes on specific dispute settlement cases.
  - More training facilities for Omani officials in Trade and Environment Courses.
  - Organization of Trade and Environment seminars, workshops and symposium in Oman.
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