## SUMMARY

### Economic developments

1. Oman's economic performance since its last TPR in 2008 has been positive, with robust real GDP growth, low inflation, a solid fiscal position, and strong external accounts. Growth was sustained by high oil prices, growing oil production, and an open and transparent foreign trade regime.

2. Inflation rates fell during the period under review, to under 3% in 2012. The number of expatriate workers has increased strongly since Oman's last TPR, to nearly 1.7 million. The exchange rate of the Omani Rial is pegged to the U.S. dollar. Oman's balance of payments is characterized by a strong surplus in trade in goods and a deficit in trade in services and current transfers. Foreign investment is concentrated in the oil and gas sector. Oman's exports consist mostly of hydrocarbons, largely destined for Asian markets, while imports are dominated by various manufactures, mainly from other countries in the Middle East and Asia.

### Trade policy framework

3. The Ministry of Commerce and Industry (MOCI) has overall responsibility for the formulation of Oman's trade policies. The National Committee (NC), which comprises representatives from various ministries, the customs authority, and the private sector, deals with all WTO-related matters. Bills are prepared by the relevant ministries, and presented by the Cabinet to the Consultative and State Councils, and are then issued by the Sultan through a Royal or Sultani Decree.

4. Oman's main economic goals are defined in the Long-Term Development Strategy (1996-2020) and in successive five-year-plans. They are to support growth, diversify production and exports away from oil, and create employment opportunities for Omanis. In addition, Oman seeks to achieve a balanced budget, boost productivity, and maintain low inflation rates. A new five-year plan (2016-2020) and a new Long-Term Development Strategy (Vision 2040) are currently under preparation.

5. Oman, a WTO Member since November 2000, grants at least most-favoured-nation treatment to all its trading partners. It is an active participant in the Doha round and has particular interest in NAMA and services. Oman has never been directly involved in any dispute under the WTO, but has reserved its third-party rights in a number of cases.

6. Oman is a member of the Gulf Cooperation Council (GCC), which also comprises Bahrain, Kuwait, Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates. A free-trade area among GCC members was established in 1983, and a common market for services in January 2008. With the exception of a few products, the GCC applies a common external tariff. Common legislation has been adopted on a number of other issues, such as contingency measures, veterinary quarantine and plant quarantine. Oman is also a member of the Pan-Arab Free-Trade Area (PAFTA) Treaty, under which most trade barriers among members were eliminated on 1 January 2005.

7. A free-trade agreement between Oman and the United States entered into force in January 2009. Among the other GCC members, only Bahrain has a free trade agreement with the United States. The GCC has decided that all future regional agreements are to be negotiated as a group. An FTA between Singapore and the GCC entered into force in September 2013. EFTA member states and the GCC have also signed an FTA, which had not entered into force as at January 2014. Negotiations between the GCC and a number of other countries are ongoing.

8. Under the Foreign Capital Investment Law, all foreign investments require approval by the Ministry of Commerce and Industry. Foreign investment in companies with capital of RO 150,000 or less is banned. Above this threshold, foreign investors may own up to 49% of companies. In practice, this share may be increased to 70% and to 100% in the free zones. Subject to approval by the Cabinet, foreign ownership of 100% may be accepted in projects with total capital exceeding RO 500,000. A number of services are excluded from foreign investment. Since land ownership by foreigners is generally prohibited, long-term and project-based lease of land is the

preferred solution of most foreign investors. Investment incentives include various tax exemptions and subsidized electricity, water, natural gas, and land use. Omani-owned SMEs are also eligible for soft loans provided by state-owned Oman Development Bank.

### Trade policy instruments and practices

9. Since January 2003, the GCC states have operated a common external tariff (CET) of 0% and 5% on most products. In addition, Oman applies a 100% tariff on imports of alcoholic beverages and pork products. Oman's overall average MFN applied tariff is 5.5%. Oman has bound 100% of its tariff, at rates ranging up to 200%. With the exception of alcoholic beverages and tobacco products, products from GCC and PAFTA members enter Oman duty-free. Preferential treatment also applies to products from Singapore and the United States. Oman's average bound rates are 28% on agricultural products and 11.6% on non-agricultural goods. Commercial invoices and certificates of origin must be authenticated by an Omani Consulate or an Arab Embassy in the country of origin. Goods are normally cleared within 24 hours. Other duties and taxes are bound at zero.

10. Oman does not apply other duties and taxes on imports and does not levy VAT or sales tax. It applies a number of import prohibitions and restrictions, mainly for health, security, and moral reasons. It does not maintain any import licence requirements Oman has never taken any anti-dumping, countervailing or safeguard measures. While it has adopted the GCC's provisions on contingency trade remedies, it has not yet adopted any implementing regulations. Oman has been increasingly harmonizing its technical regulations and standards at the GCC level; only 12 of more than 10,000 standards are purely national. GCC and Omani standards are usually based on international standards.

11. Oman does not apply any export duties and taxes. Temporary export bans apply to several species of fresh and frozen fish. No export subsidies are granted, but there are three free zones to promote exports. The Public Authority for Investment Promotion and Export Development (PAIPED) provides various export promotion and marketing measures.

12. New legislation on government procurement entered into force in 2008. Public tender is the main method for procurement of goods and services. Oman is an observer to the Government Procurement Agreement. New legislation on intellectual property rights, which extended the duration of protection for copyrights, also entered into force in 2008.

13. State ownership remains extensive in Oman's economy; it is particularly important in the oil and gas sectors, air and maritime transport, utilities, postal services, telecommunication, and certain manufacturing activities. The privatization process has been at a virtual standstill since Oman's last TPR in 2008.

14. A Public Authority for Consumer Protection was instituted in 2011. Oman does not have any competition legislation, although a competition law is under consideration. However, the Consumer Protection Law calls upon the Government to curtail monopolies or over-dominance in the market. Moreover, sectoral agencies may act against anti-competitive behaviour in financial services and telecommunications.

### Sectoral policies

15. Agriculture and fisheries contribute just over 1% to Oman's GDP, but engage about 37% of the economically active population, frequently at the subsistence level. Production centres around livestock and dates. The Government's long-term objective is to increase the GDP shares of agriculture to over 3% and of fisheries to 2%. Due to the numerous challenges for agricultural production and strong population growth, Oman is an important net importer of agricultural goods.

16. Oil and gas revenues account for some 85% of Oman's Government income and about 70% of its merchandise exports. The contribution of crude petroleum to Oman's GDP has varied strongly in recent years, between 36% and 49%. Oil production and exports rose significantly between 2007 and 2012, while increasing natural gas exports have contributed to diversifying Oman's economy away from oil. Partly state-owned Petroleum Development Oman holds the vast majority of Oman's oil reserves and is responsible for about 80% of national production. Despite

recent discoveries, it is estimated that by 2030 Oman's oil reserves could be largely depleted. The contribution of other mining and quarrying activities to GDP is just about 0.3%.

17. Energy-intensive industries are at the centre of Oman's manufacturing activities and play an important role in the Government's diversification strategy. Production is often located in free zones or in special industrial estates. Manufacturing exports more than quadrupled between 2006 and 2012. In line with rising demand, electricity generation has increased strongly.

18. The share of service in Oman's GDP is about 35%. Oman has undertaken GATS commitments in many services categories. Various subsectors are dominated by state-owned enterprises. Oman is an increasing net importer of services.

### Outlook

19. Oman's economic outlook depends, to a large extent, on developments in the world oil market. In the medium term, public investment may sustain relatively high growth rates. The Government's diversification and privatization policies will also play an important role for future development, as will demographic factors.