SUMMARY

1. Though Oman is relatively less hydrocarbon-rich than its neighbours, oil and gas still play a significant role in the economy. In 2020, the oil and gas sector accounted for 26.2% of GDP, represented about 60% of Oman's merchandise exports, and contributed three quarters of total government revenues. Oman joined the OPEC+ Agreement in November 2017, and its average daily production was cut to 760,000 barrels as of July 2020. During the review period, Oman faced a double challenge from low oil prices and the COVID-19 pandemic; Oman's economy grew to a peak in 2016 at a rate of 5.1% before it began a sharp slowdown in 2017. The economy contracted by 0.8% in 2019, and by a further 6.4% in 2020, mainly due to the global pandemic. As vaccine rollout gradually restores domestic activity along with the recovery of external demand, the economy is expected to grow by 2.5% in 2021.

2. As a result of low oil prices, government revenues have decreased by two thirds since 2014. New taxes such as the value added tax (VAT) and the excise tax were introduced during the review period. The contribution of customs duties to total government revenue is small, accounting for 2.6% of total revenue on average. On the other hand, government expenditure remained rigid due to social security spending, commitments to infrastructure investment, and COVID-19 relief measures (e.g. tax and charge waivers). Consequently, government gross debt was equivalent to 81% of GDP in 2020, up from 60% in 2019 and 5.4% in 2014.

3. Oman operates a pegged exchange rate regime with the US dollar. However, the liquidity in the domestic money market is highly associated with oil prices. Therefore, oil price fluctuations can generate an undesired divergence in liquidities with the central bank's policy rates, and thus impede monetary policy objectives. During the review period, the spread between the policy rate and the market lending rate widened. In the case of persistent low oil prices, Oman's non-oil sector growth through monetary stimulus could be undermined.

4. The value of merchandise imports declined by about 25% during the review period, and merchandise export value dropped by about 28%, mostly owing to low prices of hydrocarbon exports. Consequently, the current account has been in deficit since 2015, and is estimated to continue its widening trend. As of end-2020, the current account deficit was equivalent to 10% of GDP. Reflecting stable foreign direct investment (FDI) inflows and a bond issuance, Oman's international reserves slightly declined. Asian economies are Oman's top oil export markets, while its Gulf Cooperation Council (GCC) neighbours are its major trading partners with regard to non-oil trade. The United Kingdom and the United States are the major sources of FDI.

5. The Ministry of Commerce, Industry, and Investment Promotion (MOCIIP) has overall responsibility for the formulation of Oman's trade policies. The National Committee, created in 2001, deals with all WTO-related matters and meets several times a year. It acts under the chair of the MOCIIP and comprises representatives from various ministries, the customs authority, and the private sector. 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.

6. Oman's economic objectives are laid down in "Oman Vision 2040" and successive five-year plans. They are to achieve developed country status by 2040, diversify production and exports away from oil, and create employment opportunities for Omanis. In addition, Oman seeks to achieve a balanced budget, attract foreign investment, and maintain low inflation rates. The 2016-2020 Five-Year Development Plan initiated the Tanfeedh initiative to support various sectors such as manufacturing, tourism, mining, fishery, transportation, and logistics to diversify income sources.

7. A WTO Member since November 2000, Oman grants at least MFN treatment to all of its trading partners. It has never been directly involved in any WTO dispute, but has reserved its third-party rights in a number of cases. Oman established a National Committee on Trade Facilitation in 2014 and ratified the Trade Facilitation Agreement in 2017. Since 2020, Oman has officially implemented 100% of its commitments under the Agreement. During the review period, Oman submitted numerous notifications to the WTO.

8. Oman is a member of the GCC, which also comprises the Kingdom of Bahrain, the State of 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 in a number of other areas, such as trade 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 in 2005. Oman has a bilateral free trade agreement (FTA) with the United States, and, through the GCC, FTAs with Singapore and the European Free Trade Association (EFTA). With the exception of the agreement with the EFTA, these agreements have been notified to the WTO.

9. New legislation on investment was adopted in 2019 and 2020. The Commercial Companies Law of 2019 allows both foreign and domestic investment in seven different legal forms. Under the New Foreign Capital Investment Law of 2020, foreign investors no longer need to partner with a local shareholder, as the former 30% Omani ownership requirement was revoked. However, foreign investment projects must comply with inspection and monitoring procedures. A list issued by the MOCIIP defines activities that are reserved for Omani nationals. Since land ownership by foreigners is generally prohibited, long-term and project-based lease of land is the preferred solution for most foreign investors. Investment incentives include various tax and fee exemptions. Omani-owned small and medium-sized enterprises (SMEs) are also eligible for soft loans provided by the state-owned Oman Development Bank.

10. Oman's applied MFN tariff is based on the GCC's common external tariff, which consists of three rates: zero (11.1% of all lines), 5% (87.1%), and mixed tariffs (0.3%). Except for 20 tariff lines on tobacco products, which carry a mixed tariff, all lines are *ad valorem*. Imports of alcoholic beverages and pork products are subject to a 100% tariff, a purely national tariff rate. Oman's overall average MFN applied tariff is 5.5%, the same as at the time of its last Reviews, in 2008 and 2014. Preferential tariffs apply to imports from other members of the GCC, the EFTA, PAFTA, Singapore, and the United States. Average bound rates are 28% on agricultural products and 11.6% on non-agricultural goods. For 26 tariff lines, applied rates are higher than bound rates.

11. Average clearance time for imports has been reduced to seven hours. In the wake of the COVID-19 crisis, Oman approved the practice of "direct" imports from the country of origin, to speed up the clearance process and reduce costs. It also reinforced the transition to electronic submission of documents and virtual customs clearance.

12. Following a GCC decision of 2015, Oman introduced a VAT of 5% in April 2021. The tax applies to all goods and services, except those related to healthcare, education, financial services, basic food items, and public transport. Excise taxes apply to alcoholic beverages (50%) and to pork meat, carbonated drinks, and cigarettes (100%).

13. Import prohibitions and restrictions are in place mainly for health, security, and moral reasons. Import prohibitions cover narcotics, weapons, certain media products, and several country-specific animal products. In 2015, Oman ratified the GCC Amended Common Law on Anti-Dumping, Countervailing and Safeguards. Various GCC institutions are in charge of implementing the Law. During the review period, five definitive anti-dumping measures and three safeguard measures were taken. Oman develops technical regulations and standards at the national level only if there is a pressing need. It submitted numerous TBT and SPS notifications during the review period. No specific trade concerns were raised against Oman's TBT and SPS measures.

14. Oman does not apply any export duties and taxes. Temporary export bans apply to several species of fresh and frozen fish. In the wake of the COVID-19 crisis, exports of masks and hand sanitizers were prohibited. No export subsidies are granted, but there are three free zones and two special economic zones aimed at promoting exports. The Unified Customs Laws of the GCC allows exporters to recover the duty paid on their imported products once the product is re-exported. The fully government-funded Credit Oman SAOC provides credit insurance to exporters regardless of their nationality.

15. State ownership remains important in Oman's economy, although privatization has been a policy objective for many years. Since the last Review, partial privatization took place in telecommunications and electricity transmission. In 2020, the Oman Investment Authority (OIA) was established to group together various state-owned entities. As at June 2021, there were 29 companies in which the OIA holds more than 40% of shares.

16. In December 2014, Oman adopted its first law on competition. The Anti-Monopoly and Competition Law prohibits any activity that would undermine competition. Companies abusing a dominant position can be sanctioned. The Competition Protection and Monopoly Prevention Centre, established in 2018 and merged into the MOCIIP in 2020, reviews mergers and abuse cases. New legislation on consumer protection was also adopted in 2014; it reinforced the powers of the Consumer Protection Authority and increased potential penalties.

17. Legislation on government procurement and intellectual property dates mainly from 2008. Public tender is the main method for procurement of goods and services. A price preference of 10% to the products of Omani SMEs and of 5% to products of other GCC countries is applied. Oman is an observer to the Government Procurement Agreement. Intellectual property right (IPR) infringements and violations can be subject to fines and imprisonment. The Public Prosecution Office may initiate legal action *ex officio* with respect to IPR-related offences, without the need for a formal complaint by a private party or right holder. A National Strategy for Intellectual Property with the aim of building a knowledge-based economy is currently under formulation.

18. Agriculture and fisheries is considered as one of the key sectors for Oman's diversification strategy. The Government has the dual aim of reducing Oman's dependence on imported agricultural produce and increasing exports where possible. Oman does not maintain tariff quotas or quantitative restrictions on agricultural products. All the support measures notified by Oman to the WTO belong to the Green Box. During the review period, the spending of domestic support for the agriculture sector continued to decrease. In 2019, spending was OMR 8.2 million, down from OMR 24.5 million in 2013.

19. Since the last Review, the institutions responsible for the mining and energy sector have been overhauled. The Ministry of Energy and Minerals became the umbrella entity overseeing sectoral policy development and regulating activities by licensees/concessionaires. In 2013, the In-Country Value strategy was first concepted in the energy sector, and subsequently rolled out nationwide as part of the country's diversification efforts.

20. Manufacturing accounted for about 10% of GDP during the review period. Considering Oman's endowment of mineral resources, the sector is dominated by activities related to oil and gas, such as petroleum refineries and petrochemicals. Most manufacturing establishments are located in the industrial estates, free zones, and special economic zones, where they are served by the airports or ports nearby.

21. Transport and logistics have been identified as key priorities for economic diversification. The Government invested heavily to expand and improve capacity across air, land, and sea. While the Ministry of Transport, Communications and Information Technology remains the policy maker for the transport sector, the wholly state-owned Asyad Group was created in 2016 to represent the state ownership of infrastructure assets. Almost half of the bilateral air service agreements offered the fourth freedom without restriction on capacity, destinations, and pricing. Sea port operation efficiency, in particular for container handling, improved during the review period; however, the long-anticipated national railway network has not been materialized.

22. The telecommunications infrastructure in Oman has significantly improved since the last Review. In addition to a mobile network operator being licensed in 2021, the national backbone fibre optic network began construction in April 2014, and now covers 54% of urban regions. The COVID-19 pandemic has increased the demand for certain telecom services (e.g. video conferencing and streaming services). To mitigate the impact, Oman adopted several measures including the abolishment of the ban on VoIP calls.

23. During the review period, the legal framework for financial services continued being improved and modernized. The authorities maintain the same licensing procedures for local and foreign-owned banks. Ownership limitations for Islamic financial services (including banking and insurance) are similar to those applicable to conventional business.

24. The tourism sector is also identified as key to the country's diversification programme, and considered as a source of significant employment. State involvement in the sector is quite large, while foreign investment restrictions remain in place. The COVID-19 pandemic had a huge impact. According to the authorities, the lost revenue due to travel restrictions and lockdown measures was estimated to reach OMR 2.6 billion in 2020. To mitigate the impact, the authorities exempted tourism establishments from tourism tax and municipality tax for two years (2020-21).