



## Doing Business in Oman:

### 2013 Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business in Oman

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### Market Overview

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The United States and the Sultanate of Oman share a strong bilateral relationship based on a joint commitment to the security, stability, and prosperity of the region. Oman is a regional actor as a member of the Arab League as well as the Gulf Cooperation Council (GCC), which includes Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, and Bahrain. The government of Oman is a monarchy with a population of approximately 3.8 million (including about 1.8 million foreign workers), ruled by Sultan Qaboos bin Said Al Said since 1970. During his more than forty years as Oman's leader, Sultan Qaboos has transformed a nation of subsistence farmers and fishermen with a total of six kilometers of paved road into a thriving state with modern infrastructure and continuing economic and social investment.

Oman is a middle-income country with an economy based primarily on limited overall hydrocarbon resources, notwithstanding a few significant recent gas finds. Oil and gas accounted for about 80% of the government's revenue in 2012. High oil prices in recent years have bolstered Oman's budget, trade surpluses, and foreign reserves. Increased subsidies and expenditures in 2011 and 2012 associated with the "Arab Spring" and job creation initiatives offset income from increased oil revenues, although high oil prices helped Oman maintain a budget surplus. Oman enjoyed 5% GDP growth in 2012, due in large part to an average oil price around \$100 per barrel. The financial system is well capitalized with a very low number of non-performing loans. Oman has a stable A1 credit rating as well as very low external debt; at 3-4% of GDP it is one of the lowest in the world. According to the Public Authority for Investment Promotion and Export Development (PAIPED), new FDI in Oman jumped to RO 5bn, about \$16 bn, in 2010, from just RO 980m (\$2.5 billion) in 2003.

Oman acceded to the World Trade Organization in 2000, is a member of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), and entered into a Free Trade Agreement (FTA) with the United States in 2009. The lack of market competition due to the prevalence of family-owned and parastatal oligarchies has resulted in inflated price levels for its mainly imported food and consumer products. Reliance on a large state-owned energy sector leaves the economy vulnerable to market prices for energy products.

U.S. exports to Oman totaled \$1.7 billion in 2012 and U.S. imports from Oman totaled \$1.3 billion. Both Oman and the United States seek an expanded trade relationship and are working to leverage their Free Trade Agreement (FTA) to that effect. The U.S.-Oman FTA removed most customs duties; the remainder will be phased out over the next few years.

Due to its limited energy reserves, Oman is diversifying its economy beyond oil and gas production. The government is working to diversify the Omani economy by encouraging foreign investment, implementing a robust strategy for small and medium enterprise development, conceiving anti-trust regulations, boosting industrialization, building modern infrastructure, and expanding privatization. Oman actively seeks foreign investment, especially in the industrial, food processing, logistics, information technology, tourism, healthcare, fisheries, and higher education sectors. The Government of Oman (GoO) has set a goal of 81% of GDP by 2020 for the non-oil sector, with the private sector representing 91% of the economy by that year. The government views expanding Oman's infrastructure as vital for economic growth and continues to allocate a substantial portion of its budget toward investments in ports, rail, airports, highways and petroleum facilities. The government has also sharply increased spending in the education and health sectors in recent years. According to Middle East Economic Digest (MEED), project spending has averaged \$7bn per year in the last decade, and is set to continue, mostly focused on airports, a new rail system, highways, power and water plants, and tourism construction.

In 2012, the Central Bank of Oman (CBO) introduced a number of regulations, such as reducing the interest rate ceiling on personal loans to 7% (from 8%) and placing a cap on the debt-to-burden ratio paid by the borrower at 50% of one's monthly salary for personal loans and at 60% for housing. The tenure for loans was capped at a maximum of ten years for personal loans and 25 years for housing. All of these measures were aimed at reducing the debt burden of consumers after a five-fold increase in personal indebtedness in the last decade. Banks complained of slower credit growth as a result. In 2013, the CBO issued regulations instructing banks to target 5% of their lending portfolios to SMEs. (Banks traditionally lent only about 2% of total credit to SME's due to the relatively high risk, and required start-ups to demonstrate 200% collateral.)

The Sultanate's nominal gross domestic product (GDP) at current prices soared 11.6 % to OMR 30 billion (\$78bn) in 2012 from OMR 26.9 billion (\$70bn) the previous year, according to data released by the National Centre for Statistics and Information on May 14, 2013. A surge in oil prices and heavy government spending aided robust economic growth. In 2012, oil activities grew by 20.9 per cent due to a 6.5 per cent surge in Oman's crude oil price. Crude production rose by 4.6 per cent to hit 297.7 million barrels over the year. GDP for non-oil activities grew by 12 per cent in 2012 to reach OMR15,936 (\$41,500) million from OMR14,227 (\$37,049) million in 2011.

A number of constraints affect trade and investment in Oman. The country has a relatively small population and there is no high-value consumer market beyond the capital area. This situation is exacerbated by intense competition from nearby global trading hub Dubai and industries in Saudi Arabia. In addition, other countries in the GCC typically offer higher industrial subsidies and lower quotas for hiring nationals.

While Oman is an attractive market for a number of products and services, at times it can present challenges for American firms to do business. Bureaucratic obstacles exist, including clearances for visas and permits for foreign workers, lengthy business registration requirements for consultancies, and a prohibition on real property rights for foreigners outside of Integrated Tourism Complexes. (Land ownership is not covered by the FTA.) The divide between the government and the private sector is not well-defined in Oman, leading to potential conflicts of interest. Of note are the oligarchic, closely-held businesses with familial ties to government officials. Government decision-making is often opaque. Firms that have been successful in Oman usually have previous experience in the Middle East or a full-time in-country representative or office.

Of particular concern for many international firms in Oman is the “Omanization” process, wherein the government sets quotas for Omani employment on a sectoral basis. Although the FTA provides for limited exceptions for specialized upper management, U.S. companies are responsible for complying with most Omanization requirements. Many companies, both Omani and international, have noted that some of the quotas are difficult to satisfy. Further, obtaining labor clearances for new foreign workers can be a challenge. Despite considerable government efforts to replace expatriate workers with Omanis, Oman still heavily depends on South Asian and other foreign labor. The total number of expatriates in Oman with valid labor cards as of December 2012 was 1,316,182; approximately one-third of the population. Around 80% of expatriate workers have only secondary education or lower, and the majority work in low-skill construction and manufacturing jobs. The Omanization drive intensified in 2011 as a result of “Arab Spring” demonstrations demanding more opportunities for Omanis. The government estimates needing up to 50,000 new jobs per year to absorb new labor force entrants. Companies are encouraged to exceed their Omanization quotas, turn over management jobs to Omanis, and create training programs for new hires, which can be costly. The Petroleum Society of Oman (OPAL), comprising most oil and gas companies as members, is in the process of codifying these “In Country Value” requirements into tender-weighting criteria for the petroleum sector.

The following outstanding issues are of most concern to U.S. companies:

- Duties continuing to be charged on American goods transshipped by road via Dubai despite the agreement in the FTA
- Authenticated certificates of origin/shipping documents are at times still requested by Omani authorities despite not being required under the FTA
- Company registration can be slow, especially for consulting firms.
- Scarcity of natural gas feedstock for new projects, and lack of transparent criteria for gas allocations

Oman offers stability, security, a predictable investment climate; respect for free markets, property rights, and rule of law; access to capital, good health care and schools, easy access to global markets through a modern infrastructure network, and a commitment to intellectual property rights enforcement.

Although oil and gas production will remain the backbone of Oman's economy for years to come, the non-oil sector of the economy is making great strides. Growth areas include: infrastructure design and engineering; water and power projects; medical equipment, services and supplies; higher education consulting and tuition; information technology; and aquaculture. The Ministry of Finance announced that, as part of the 2011-16 Eighth Five Year Plan, RO13bn (\$33.8bn) would be spent on infrastructure, e.g., ports, highways, rail and airports, with RO8bn (\$20.8bn) focused on financing oil and gas projects, to achieve 15-17% growth in the sector and RO3.4bn (\$8.84bn) for the electricity sector in order to keep pace with 7-10% annual demand growth fueled by tourism and industry. RO700m (\$1.8bn) has been allocated to the tourism sector, which is aiming for 11% growth, with a focus on meetings, industry conventions, and exhibitions (MICE); RO 500m (\$1.3bn) is directed toward resorts and conference centers while RO 200m (\$520m) is earmarked for infrastructure.

Under the "national treatment" provisions of the U.S.-Oman Free Trade Agreement. American companies may register as an Omani firm, with 100% American ownership, and no requirement for local ownership or partners. Other nationalities (outside the GCC) are bound by the Foreign Investment Law which limits foreign shareholding to 65% of any company.

In summary, advantages of investing in Oman include:

- Strong macroeconomic situation
- Business friendly environment
- Stable, secure nation in a volatile yet strategic region
- Considerable investment in first world infrastructure
- Educated and largely bilingual workforce
- Strategic geographic location outside the Strait of Hormuz and at the crossroads of the Middle East, Africa, and Asia

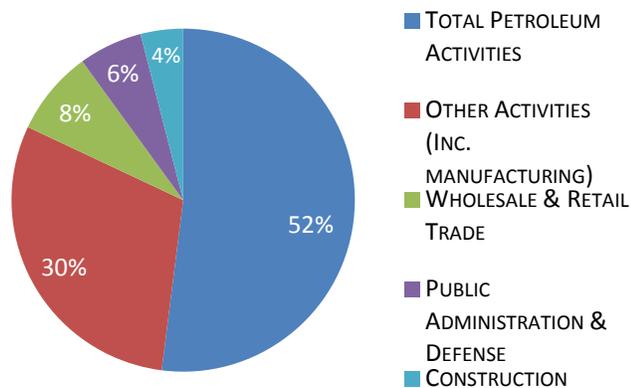
- An American company may wish to consider registering as a fully U.S.-owned company under the FTA to avoid profit-sharing and potential disputes with a local partner. The simplest form is an LLC, though there is a two shareholder minimum (a 99/1% breakdown is accepted, and a family member may serve as the partner).
- An on-the-ground presence in Oman is an advantage.
- Personal relationships are key to finding and retaining a good local partner.
- Agents are commonly used, but not required.
- Agreements generally require significant lead time and follow-up before finalization.
- Omanis appreciate flexibility in contract negotiations; any concessions they make should be met with a concession on the American company's side, regardless of that company's size.
- Government contracts often take many months –in some cases years – before they are awarded.
- Importers must be registered with the Ministry of Commerce and Industry and be members of the Oman Chamber of Commerce and Industry.
- Importers/distributors are most commonly used in the retail food business.
- The U.S. Embassy Commercial Section can provide counseling, referrals, matchmaking, due diligence and advocacy services.

U.S. companies seeking general export information, assistance, or country-specific commercial information should contact their nearest U.S. Export Assistance Center, the U.S. Department of Commerce's Trade Information Center at 1-800-USA-TRADE (1-800-827-8723), or visit: [www.export.gov](http://www.export.gov) or [www.buyusa.com](http://www.buyusa.com).

Agricultural reports are available via the Reports Office, USDA/FAS, Ag Box 1052, Washington, D.C. 20250-1052 and via the FAS Home Page on the Internet at the following URL: <http://www.fas.usda.gov/scripts/attacherep/default.asp>.

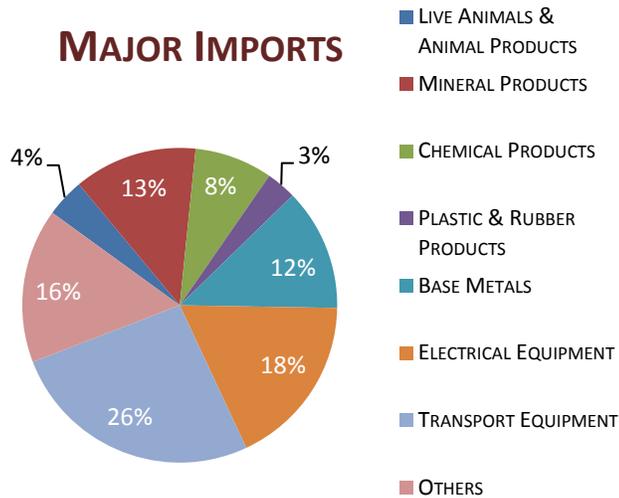
- **GDP** (2012 est) \$80bn
- **Per capita GDP** (2012 est): \$28,500 (including ~1m expatriate workers)
- **Real GDP growth rate** (2012): 5%.
- **FDI**: \$16bn (2010)
- **Natural resources**: Oil, natural gas, copper, marble, limestone, gypsum, chromium.
- **Agriculture and fisheries products**: dates, bananas, mangoes, alfalfa, other fruits and vegetables. Fisheries--kingfish, tuna, cobia, shrimp, lobster, abalone.
- **Industry**: Crude petroleum (not including gas liquids) 918,000 barrels per day (average, 2012); construction; petroleum refining; petrochemical, cement and various light industries.

### STRUCTURE OF GDP



- **Trade** (2012):
  - **Oil & Gas Exports**: \$12.6bn Major Oil Markets: China (50.3%), Japan (12%), Taiwan (11.9%), Singapore (7%), Thailand (6.8%), Korea, (3.8%), India (1.5%), Others (4.5%)
  - **Non-Oil Exports**: \$7,431.25mn Mineral products (25.6%), Chemical products (31%), Base metals (19.5%), plastic and rubber products (7.1%).
  - **Major Export Markets (non-oil)** -- \$7,431.25mn India (16.2%), U.A.E. (15.3%), China (8.6%), Saudi Arabia (7.7%), USA (6.5%).
  - **Imports**--\$ 24,230mn Transportation equipment (23%), electrical machinery (17.5%), mineral products (14.7%), base metals (12.5%), chemical products (7.8%).
  - **Major Suppliers**--U.A.E. (26.4%), Japan (13.5%), United States (5.7%), China (5.2%), India (4.9%).

## MAJOR IMPORTS



Source: Ministry of Finance, Ministry of National Economy; 2012

### The GCC Market

Americans firms looking to do business in the Middle East may find a regional approach to their marketing activities in the Gulf area will offer certain practical advantages. The members of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) have taken steps to unify some industrial standards and other measures to harmonize regulatory structures. The region is also one of the fastest growing export markets for American goods and services. In 2012, American exports to the Gulf totaled \$50 billion, with four of the six GCC markets achieving annual U.S. export growth of over 20%.

With a population approaching 30 million, Saudi Arabia is the Gulf's largest consumer base. The country is investing hundreds of billions of dollars to expand infrastructure, diversity its industry and improve social services delivery through major healthcare and housing construction programs. Similar to Saudi, the UAE is a major petroleum producer seeking to diversify its economy, with recent initiatives to expand development of industrial production, healthcare, aviation and tourism. Dubai in particular has become a regional hub for trade exhibitions and offers an excellent entrepot for many firms seeking

to expand into the wider Gulf region. Qatar, the world's largest producer of natural gas and possessing the highest per capita income in the world, is seeing an infrastructure and transportation boom as it prepares to host the 2022 Soccer World Cup. As with others in the region, Kuwait is also focusing major investments on housing, infrastructure and transportation projects. Though more modest markets than others in the region, both Bahrain and Oman have signed Free Trade Agreements with the United States, offering preferential market access for many American goods and services.

Through multi-country trade missions and regional trade exhibitions, the Commercial Service seeks to introduce American firms to the marketing available in the Gulf region. Details on regional trade events are provided in the body of this report.

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on one of the links below:

U.S. Department of State Fact Sheet

<http://www.state.gov/r/pa/ei/bgn/35834.htm>

CIA World Fact Book

<https://www.cia.gov/library/publications/the-world-factbook/geos/mu.html>

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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Foreign companies wishing to distribute their products in Oman often prefer using a local agent, although, since implementation of the FTA, American companies are no longer required to do so. Agents are particularly useful for sales to the Omani government due to their contacts, language ability, and cultural knowledge. Constrained budgets encourage government procurement officials to buy direct; however, in practical terms, it is still difficult for foreign firms to sell to the government without an Omani agent scouting for and bidding on tender opportunities. As in other Gulf countries, regular, personal contact is the key to success in trade relationships.

The manufacturer or supplier may not unilaterally terminate the agency agreement except where there is an unjustifiable breach of agreement by the agent. The Commercial Agencies Law governing agency agreements generally awards 2-3 years of profit as compensation for “unjustified” failure to renew even fixed-term agencies, so consultation with a lawyer in drafting an agreement is highly recommended. Agents are encouraged to register agreements at the Oman Chamber of Commerce and Industry (OCCI). Agents must register in writing (Arabic) with the Registrar of Agents and Commercial Agencies at the Ministry of Commerce and Industry (MOCI), renewable every three years. Agencies may be non-exclusive and more than one agent may be engaged to promote the same product or services. The agent is entitled to commission even if the principal has resorted to direct selling in contravention of the Commercial Agencies Law, which is widely considered to favor the agent.

The Embassy's Commercial Section can provide due diligence on most Omani companies and/or potential agents for a small fee via our “[International Company Profile](#)” service. In addition to consulting the Embassy, personal visits to potential agents are recommended. Due to the complexity of Omani regulations, it is advisable to obtain legal counsel before drawing up an agency agreement. While the Embassy's Commercial Section offers general information on Oman’s commercial regulations,

formal legal counsel is recommended for specific questions on labor, investment, and tax laws, licensing procedures, and for the resolution of commercial disputes.

The Embassy's Consular Section maintains a list of local attorneys, including those specializing in commercial law, available at:

[http://oman.usembassy.gov/attorney\\_information.html](http://oman.usembassy.gov/attorney_information.html) .

## **Establishing an Office**

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The first step in establishing a local office in Oman is to register at the Ministry of Commerce and Industry and the [Oman Chamber of Commerce and Industry](#). To register a franchise, in addition to the steps above, the owner is required to register at the local municipality (for example, [Muscat Municipality](#)).

## **Franchising**

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A number of U.S. franchises are well-established in Oman, particularly in the fast-food restaurant sector. Most major brands are well-established (McDonalds, Burger King, KFC, Pizza Hut, Domino's, Hardees, Subway, Papa John's, Chili's, Starbucks, Dunkin Donuts, Baskin Robbins, Dairy Queen, and Cold Stone Creamery), with new ones opening regularly. Relatively high per capita income, a young population, a high rate of unaccompanied expatriates, and the lack of alternate entertainment venues encourage out-of-home dining and entertainment options. U.S. car rental franchises (Hertz, Budget, Avis, Thrifty, and Pay-Less) are also popular. Omani businesses continue to express interest in U.S. franchise opportunities, especially child-focused, recreational and educational outlets.

To franchise in Oman the principal and the local agent must sign a formal contract, which must be approved by OCCI and registered with the Registrar of Agents and Commercial Agencies at the MOCI and the local municipality.

## **Direct Marketing**

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There are four daily English language newspapers in which companies can advertise - the [Oman Daily Observer](#), [Oman Tribune](#), [Muscat Daily](#), and the [Times of Oman](#) - each of which has a business section that is predominantly read by expatriates. The Arabic dailies [Oman Daily](#) (government mouthpiece), [Al-Watan](#) (heavy regional focus), [Al-Shabiba](#) (youth-oriented), [Al-Zaman](#) (cutting edge political reporting), and [Al-Roya](#) (heavy economic focus) reach a broader Omani audience and are also published seven days a week. Most dailies have a website on which companies can advertise. Arabic weeklies include [Al Isbou'a](#), [Al Youm A'Saba](#), and [Futoon](#). Two independent business monthly magazines, [Business Today](#) and [Oman Economic Review](#), began publication in 1998, and there are three free youth-oriented English language weeklies: [The Week](#), [Hi](#), and [Y](#). Advertising is also possible on Omani television and radio and on highway signs. Many businesses also distribute flyers in residential neighborhoods, but permission from Muscat Municipality must be granted before mass distribution.

Oman regularly hosts trade shows (expos) which provide good opportunities to meet importers and distributors. Small and medium-sized businesses looking to enter the Omani market are particularly encouraged to attend sector-focused expos as an

effective means of showcasing new offerings and networking directly with stakeholders, potential clients, and policymakers. Highlighted popular expos include: [MedHealth and Wellness](#), [Oman Power & Water Summit](#), [Food and Hotel Oman](#), [Oil and Gas West Asia](#), [InfraOman](#), [Oman Construction Expo](#), [Oman EPC Projects](#), [COMEX](#) (IT show), and [GHEDEX](#) (higher education). U.S. exporters should also look to international shows as an opportunity to meet Omani importers. For example, although the Sultanate is making great strides in developing its own food production industry, food imports continue to rise to meet the demands of an ever-growing population. Many importers visit international food shows such as [SIAL](#) (Salon International de L'Alimentation, in France), [ANUGA](#) (major set of food trade shows in Germany), as well as U.S. food shows such as the [Fancy Food Show](#) and [FMI](#) (Food Marketing Institute). Exhibiting at such shows has proven to be a sound strategy for many U.S. companies to market to Oman. In addition, Omani buyers are starting to attend Arab Health and Beauty Middle East in Dubai, as well as the Houston Offshore Technology Conference, in greater numbers.

### **Direct Investment/Joint Ventures/Licensing**

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The Omani government welcomes foreign capital and provides incentives to investors, particularly in the tourism, health care, higher education, fisheries, and light industry sectors. Oman seeks foreign investment for the technical expertise it brings and the training it provides to Omanis. Under the U.S. – Oman Free Trade Agreement, U.S. investors qualify for national treatment in Oman and enjoy enhanced legal protections.

The U.S. government acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms with operations abroad. Recognizing the benefits that U.S. outward investment brings to the American economy, the U.S. government undertakes initiatives that support U.S. investors, such as Overseas Private Investment Corporation (OPIC) programs and other business facilitation programs.

### **Selling to the Government**

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Government procurement contracts are subject to the requirements of the FTA, namely, non-discrimination and national treatment for U.S. competitors. The FTA, however, does not govern military procurement and other procurements deemed to be a matter of national security. Although the FTA removed the requirement that a U.S. company obtain an Omani sponsor or partner, given the need for local follow-up and knowledge of the market, companies choosing not to open a local office are especially encouraged to consider obtaining a local partner. Branches of foreign consultancies fulfilling a GoO tender can be 100% foreign-owned but are typically dismantled upon completion as there has historically not been a provision in Omani law for permanent registration of a foreign branch (this is under discussion). These temporary consultancies (present less than 90 days) are responsible for 10% withholding tax on royalties and management fees, typically paid by the local client.

All major civilian projects and acquisitions for the government are channeled through an independent Tender Board comprised of senior government officials and staffed by a limited number (around 40) of professional technocrats. The Tender Board usually relies upon the recommendation of a consultant and the procuring ministry in awarding contracts. Petroleum Development Oman (PDO) runs its own tender board, as do the Royal Oman Police, the Diwan of the Royal Court, Oman Telecommunications Company, and the Ministry of Defense. The tendering process for these agencies is often opaque.

Public tendering is required for all purchases above 10,000 RO (\$26,000) by ministries, government agencies, and public corporations. Ministries can award contracts through their internal tender boards for projects up to 1,000,000 RO (\$2,600,000). Projects exceeding this amount must be referred to the Tender Board, which determines the terms of bidding, invitations for bids, and selection of firms for awards. Depending on their activities, companies may register with Tender Board under any of the following four categories:

1. Contractors (registered with MOCI and OCCI)
2. Consultancy Offices or Firms.
3. Supplies or Supply Companies
4. Training Institutes

A temporary deposit in the form of a bank guarantee for two percent of the value of the tender is required to bid. The registration application forms indicate the regulations for capital, employees, infrastructure etc. required for classification of companies into different grades. Each project is assigned a tender grade depending on the sector. For example, a large construction contract may require increased capital requirements and higher grades for bidding companies. Local-origin products may receive a bidding preference in government tenders within a 10% price differential. Contracts awarded through the Tender Board comply with Omani Standard Forms and Conditions, based on the International Federation of Consulting Engineers (FIDIC) standard. Contracts are often, but not necessarily, awarded to the lowest bidder. After notification of an award, final negotiations concerning clarifications and adjustments take place before the contract is executed. Sixty days usually pass from selection through award notification to signing of the contract.

Companies bidding for a government procurement contract should expect frequent delays in the evaluation of bids and awarding of tenders for major projects. The Tender Board has improved its efforts to publicize bids to international companies, particularly through the development of a website ([www.tenderboard.gov.om](http://www.tenderboard.gov.om)), where it announces its tender openings and decisions. In addition, tender announcements are widely published in local newspapers. Tender opportunities are published in English and in Arabic. Procedures for appeal are specified in the Tender Law and regulations and the FTA.

The members of the Tender Board include: Chairman Dr. Rashid al Huraibi; Vice Chairperson (currently vacant); the Ministers of Civil Service (Sheikh Khalid al Marhoon), Manpower (Sheikh Abdulla al Bakri), and Housing (Sheikh Saif al Shabibi); as well as the Secretary General of the Supreme Committee for Town Planning (Engineer Munir al Musawi), Undersecretary of Commerce (Engineer Ahmed bin Hassan Al Dheeb), and Secretary General of the Tender Board (His Highness Mohammed bin Hilal Al Busaidi).

Most goods destined for the Oman market enter through Port Sultan Qaboos in Muscat, Oman's import/export hub, however this traffic is transitioning to Sohar, two hours away, as Muscat focuses more on cruise ship vessels. A well-developed road infrastructure links almost all points in the country. In addition, goods may enter Oman overland after arriving at ports in the UAE. American goods entering Oman are exempt from the 5% GCC customs duty under the terms of the FTA, although the GCC duty has been charged on American goods entering Oman from the UAE, in contradiction to the FTA. Numerous transport, logistics and retail companies serve the domestic market.

The Port of Salalah, located some 1,000 kilometers southwest of Muscat in southern Oman, has established itself as a leading container transshipment center on the Indian Ocean Rim since its November 1998 opening; it also handles import/export shipments. Maersk is the principal customer of the port and a majority shareholder in the Port of Salalah Company. The Port of Salalah is the only port between Europe and Singapore that can accommodate S-class container vessels. Salalah boasts 7-14 day turnaround times to the United States. The Port of Salalah is expected to add a new general cargo terminal and a liquid jetty which will increase the capacity of the port to 40 million tons of dry-bulk commodities and 5 million tons of liquid products each year. The adjacent free trade zone, new international airport, and planned railway has the potential to make Salalah a major multi-modal cargo hub and a center for industrial development. The government has offered a number of incentives, including: reduced or deferred corporate taxes; extended period for re-exports; availability of hard currency and financing; favorable rental charges; reduced local content requirements; and lower customs duties and Omanization requirements, in order to attract business to the zone.

The Port of Sohar is Oman's third largest port. Sohar is located just outside the Strait of Hormuz and is proximate to the busy shipping lanes of the Gulf of Oman. By entering the Gulf through Sohar, companies avoid the high insurance premiums normally levied on vessels that ply into the Upper Arabian Gulf. The Port of Sohar has deepwater draughts, and modern container, cargo, and liquid terminals, and is linked to other locations, both in Oman and in the UAE, through a world-class road infrastructure. The Port of Sohar is undergoing expansion work, including a major deepwater jetty and a dry bulk terminal. The deepwater jetty is primarily constructed to support the bulk shipping needs of the Brazilian mining conglomerate Vale Oman, which has a hub in the Sohar industrial area next to the port. The dry bulk terminal will be dedicated to handling of aggregates, minerals, and related dry bulk commodities. The Sohar Freezone is located adjacent to the Port and features investment incentives which include: a 10 year corporate tax holiday; no minimum capital requirements; a relaxation on the quotas of Omanis a company must employ; and a one stop shop for business registration and permits.

The government has recently constructed a large commercial port at Duqm boasting a dry dock, deep water draughts, and a special economic zone.

## Selling Factors/Techniques

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The GCC common market was launched on January 1, 2008. The common market grants mutual national treatment to all GCC firms, goods, and citizens. GCC labeling standards require that labels be printed in Arabic and English, although some items are sold in the market without Arabic labels. For packaged food products, the dates of manufacture and expiration must be printed on the label or elsewhere on the container. Production and expiration dates affixed with stick-on tape are not accepted. Many U.S. firms consider Omani/GCC shelf-life limits more restrictive than scientifically necessary. Imported meat should be Halal, as the majority of consumers are Muslim. Major slaughterhouses in the U.S. are able to offer Halal supervision.

Potential exporters should be aware that all media imports are subject to review and possible censorship; for example, the Ministry of Heritage and Culture may reject or expunge morally or politically sensitive material from imported videos. The Ministry of Information delays or bars the entry of magazines and newspaper editions if it takes exception to a story on Oman or deems the content morally suspect. In practice, the effect of this censorship on non-pornographic materials is usually mild.

According to an American Express Middle East Luxury Spending Tracker survey in November 2012, people living in Oman and Jordan are the most conservative shoppers, spending less than US\$250 per month on luxury consumption, even as spending on premium goods and experiences by consumers in the Middle East, notably Qatar at \$5000 per month, is on the rise.

## Electronic Commerce

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The government is actively promoting a “digital society” and “e-government” services through the Information Technology Authority (ITA). It is expected that some of the most frequently requested government services, such as business registration and visa applications, will be conducted on-line. In 2008 the GoO enacted legislation governing e-Commerce, and ITA officials have recently identified opportunities for U.S. investors in: e-payments (secure credentialing), Arabic language e/mobile content and e-government applications. The ITA hosts an annual [cybersecurity conference](#) in Muscat, which may be of interest to firms interested in entering the market.

[Oman Tradanet](#) specializes in Business-to-Business services. Other sites specializing in e-commerce applications are [Business Gateways International](#), [e-Oman](#) (Information Technology Authority) and [Knowledge Oasis Muscat](#).

## Trade Promotion and Advertising

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[Oman International Trade and Exhibition](#), [Al Nimr](#), [IQPC](#) and [Omanexpo](#) are Oman’s leading organizers of local and international trade shows and exhibitions.

The “Direct Marketing” section of Chapter 3 provides a more comprehensive discussion of the advertising outlets in Oman.

## **Pricing**

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The pricing formula for a product in Oman involves the cost of production, which includes raw materials and labor, distribution, promotion and advertising, taxes and customs. Taxes usually are assessed on the company's profits, and there is no value added tax (VAT). Most high end restaurants in Oman charge municipality and tourism taxes in their invoices. The corporate tax rate is capped at 12% and the first \$78,000 of profit is exempt from taxation. Companies also are assessed labor-related taxes upon issuance of a work visa. Tax exemptions are available to entities in the manufacturing, mining, agriculture, fisheries, tourism, education and health care sectors. Exemptions are granted for an initial five year period from the date of commencement of business. A five year extension is available.

In 2012 and 2013 the Public Authority for Consumer Protection (PACP) as well as the Public Authority for Stores and Food Reserves (PASFR) enforced price caps on basic food items and consumer goods, citing food security and inflation control.

## **Sales Service/Customer Support**

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After-sales service and customer support for foreign products are performed by local sales and service agents. Service response time varies depending on the type of good. For IT servicing the response time tends to be fairly quick; for items such as vehicles, the response time lags. Many Omanis express frustration at having to seek service from the UAE, and U.S. companies offering local support would be appreciated by consumers.

## **Protecting Your Intellectual Property**

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Generally, Oman provides strong intellectual property rights protection and respects the sanctity of patents. According to a 2012 Business Software Alliance study, about 60% of software in Oman was pirated, representing a commercial value of \$33 million. After revising its intellectual property and copyright laws to comply with its FTA obligations, Oman now offers increased IPR protection for copyrights, trademarks, geographical indications, and patents. Pursuant to the FTA, Oman will also improve enforcement and protection of undisclosed test data from unfair commercial use. FTA related revisions to IPR protection in Oman build upon the existing intellectual property rights regime, already strengthened by the passage of WTO-consistent intellectual property laws on copyrights, trademarks, industrial secrets, geographical indications and integrated circuits.

Trademark laws in Oman are Trade Related Aspects of Intellectual Property Rights (TRIPs) compliant. Trademarks must be registered and noted in the Official Gazette through the Ministry of Commerce and Industry. Local law firms can assist companies with the registration of trademarks. Oman's copyright protection law extends protection to foreign copyrighted literary, technical, or scientific works; works of the graphic and plastic arts; and sound and video recordings. In order to receive protection, a foreign-copyrighted work must be registered with the Omani government by depositing a copy of

the work with the government and paying a fee. The government has enforced copyright protection for DVDs, CDs, software, clothing, and household goods, and destroyed stocks of pirated items seized from vendors, although enforcement of copyright protection for software is not consistent. The government designated the Ministry of Commerce and Industry as the primary investigative authority for intellectual property issues, whose efforts are supported by the Royal Oman Police.

Nevertheless, under-the-counter sales of unauthorized software, DVDs, clothing, accessories, and beauty products persist. The Ministry of Commerce and Industry, along with the Royal Oman Police–Customs, track and enforce IPR violations. To assist government efforts, the private sector has been active in promoting awareness and enforcement of intellectual property rights and the Public Authority for Consumer Protection has conducted anti-counterfeiting campaigns.

Oman is a member of the World Intellectual Property Organization (WIPO) and is registered as a signatory to the Madrid, Paris and Berne conventions on intellectual property protection. Oman has also signed the WIPO Copyright Treaty, the WIPO Performances and Phonograms Treaty and a number of intellectual property treaties, conventions, and protocols in accordance with the U.S.-Oman Free Trade Agreement. Oman is a signatory to the International Convention for the Protection of New Varieties of Plants.

The Ministry of Commerce and Industry, the Oman Chamber of Commerce and Industry, and the Public Authority for Crafts Industry, in coordination with WIPO, has conducted a number of seminars to raise national awareness of the importance of protecting intellectual property. Oman has also worked closely with the United States Patent and Trademark Office (USPTO) in the area of intellectual property rights protection. Several Omani officials have traveled to the United States for IPR training, and the USPTO, U.S. Department of Commerce, and U.S. Customs and Border Protection has hosted IPR enforcement seminars for government officials in 2006, 2008, 2009 and 2013.

It is important to have a strategy to protect IPR. To navigate IPR issues in Oman, companies may wish to seek advice from local attorneys or IP consultants. A non-exhaustive list of local lawyers is available at: [http://oman.usembassy.gov/attorney\\_information.html](http://oman.usembassy.gov/attorney_information.html) . Suspected IPR theft can be reported at: <http://www.iprcenter.gov/referral/> .

While the U.S. government (USG) promotes IPR protection, it is vital that companies understand that intellectual property is primarily a private right and that the USG cannot enforce rights for private individuals in Oman. It is the responsibility of the rights-holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the USG is willing to assist, there is little it can do if the rights' holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Omani and U.S.-based. These include:

- Oman Association for Consumer Protection (OAFCP)
- The Muscat American Business Council (MABC)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Oman Chamber of Commerce and Industry (OCCI)
- Business Software Alliance
- Arabian Anti-Piracy Alliance
- Oman Consumer Protection Authority

## IPR Resources

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A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits, visit: <http://www.StopFakes.gov> This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries) and to the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products). The site also allows you to register for Webinars on protecting IPR.

For further discussion of intellectual property protection in Oman, please refer to the "Intellectual Property" section in Chapter 6.

## Local Professional Services

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For more information on vetted local professional service providers, please refer to the following website:

<http://export.gov/oman/businessserviceproviders/>

## Web Resources

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Ministry of Commerce and Industry – Directorate General of Industry  
Secretary of Industrial Registry  
Nasser Khalfan al Alawi  
P.O. Box 550  
Muscat, PC 113  
Sultanate of Oman  
Tel: +968-2477-4305  
Fax: +968-2481-1816  
E-mail: [nasr\\_al@hotmail.com](mailto:nasr_al@hotmail.com)

Oman Chamber of Commerce and Industry  
Director of Registration and Legalization  
Eng. Umayya Khamis al Riyami  
PO Box 1400  
Ruwi, PC 112  
Sultanate of Oman  
Tel: +968-24763782  
Fax: +968- 2476-3784  
E-mail: [umaya@chamberoman.com](mailto:umaya@chamberoman.com)

Commercial Section (U.S Embassy, Muscat)  
<http://oman.usembassy.gov/business.html>

Public Authority for Consumer Protection Hotline  
Tel: +968-80079009 / 80077997  
Fax: +968-2481-2030 / 2411-9444  
E-mail: [info@pacp.gov.om](mailto:info@pacp.gov.om)

Ministry of Commerce and Industry– Department of IPR Enforcement  
Director of Intellectual Property  
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E-mail: [umm\\_fahad1985@yahoo.com](mailto:umm_fahad1985@yahoo.com)  
Web: <http://www.mocioman.gov.om/>

Ministry of Commerce and Industry – Directorate of Commerce  
Director General of Commerce  
Khamis al-Farsi  
Tel: +968-2482-8100/115

Fax: +968-2481-2030  
E-mail: [dgc@mocioman.gov.om](mailto:dgc@mocioman.gov.om) ; [khaalfarsi@gmail.com](mailto:khaalfarsi@gmail.com)  
Web: <http://www.mocioman.gov.om/>

Oman Chamber of Commerce & Industry  
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Abdul Adheem al Bahrani  
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Fax: +96-2479-1713  
E-mail: [adheem@chamberoman.com](mailto:adheem@chamberoman.com)  
Web: [www.chamberoman.com](http://www.chamberoman.com)

Arabian Anti-Piracy Alliance  
<http://www.aaa.co.ae/>  
Office 401, City Tower 2,  
Sheikh Zayed Road,  
P.O. Box 52194, Dubai  
United Arab Emirates  
Chief Executive Officer  
Scott Butler  
Tel: +9714 33 22 114  
[scott@aaa.co.ae](mailto:scott@aaa.co.ae)

Ministry of Information  
<http://www.omanet.om>

Oman International Trade and Exhibition  
<http://www.oite.com>

Oman Association for Consumer Protection  
<http://www.omanconsumer.org/>  
P.O. Box 1691, PC 112 Ruwi  
Muscat,  
Sultanate of Oman  
Chairman  
Said bin Nasser Al-Khusaibi  
Tel: +968-24 567981, Fax: 24 567981  
Fax: +968-2456-3305  
E-mail: [oafcp@omantel.net.om](mailto:oafcp@omantel.net.om)

US Patent & Trademark Office  
Regional IP Attaché  
Aisha Y. Salem  
Detailee to the Office of Policy & External Affairs  
Trademark Examining Attorney | Law Office 113  
Phone: 571-272-8242  
Fax: 571-273-9113  
E-mail: [Aisha.salem@uspto.gov](mailto:Aisha.salem@uspto.gov)

United States Trade Representative

<http://www.ustr.gov>

Director for Middle East

Jason Buntin

Tel: +1 (202) 395-9564

E-mail: [Jason\\_buntin@ustr.eop.gov](mailto:Jason_buntin@ustr.eop.gov)

U.S. Department of Commerce – International Trade Administration

[www.trade.gov/cs/](http://www.trade.gov/cs/)

IPR Lawyer

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E-Mail: [Kevin.reichelt@trade.gov](mailto:Kevin.reichelt@trade.gov)

Ernst & Young

<http://www.ey.com/EM/en/About-us/Oman>

PriceWaterHouseCoopers

<http://www.pwc.com/m1/en/countries/oman.jhtml>

KPMG

<http://www.kpmg.com/om/en/pages/default.aspx>

Deloitte & Touche

<http://www.deloitte.com>

Crowe & Howarth

<http://www.crowehorwath.net/om>

RSM International / George Mathew & Co.

[www.gmc-om.com](http://www.gmc-om.com)

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors:

- [Oil and Gas](#)
- [Transportation/Infrastructure](#)
- [Water and Environmental Technology](#)
- [Medical Equipment & Services](#)
- [Manufacturing](#)
- [Power](#)
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- [Telecommunications](#)
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### Oil and Gas

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### Overview

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Oil has been the driving force of the Omani economy since Oman began commercial production in 1967. The oil industry supports Oman's modern and expansive infrastructure, including electrical utilities, roads, public education, and medical services. In addition to modest oil reserves, Oman has substantial natural gas reserves, which are expected to play a leading role in fueling the Sultanate's industrial growth in coming years. However, easily accessible gas is virtually exhausted, and about 44% of Oman's existing LNG is tied up in long term export contracts (supplemented by imports from Qatar), with about 22% powering oil extraction, and 34% consumed locally for utilities and industry, which is experiencing growing high unmet demand. Most remaining gas is deep, tight, and costly to extract, and the GoO is looking for ways to access it in an economic fashion.

Oman's proven recoverable oil reserves are estimated at 5.5 billion barrels, though the Ministry of Oil and Gas assesses that there are potentially 38 billion barrels of recoverable oil. The Sultanate's crude oil and condensates production in December 2012 amounted to 297,707.7mn barrels or 918.4mn on average per day. Asian markets have traditionally received the bulk share of the Omani crude oil exports, and China topped the list of importers in 2012 with 50% followed by Japan with 12% and Taiwan with 11.9% of total crude exports.

The average price of Oman's crude oil in 2012 hovered around \$110. For Oman's 2012 budget, oil revenues were calculated on the basis of an average price of \$75 per barrel and average daily production of 915,000 barrels per day (bpd). Oman's oil costs upwards of \$20/barrel to produce. Oman has invested heavily in enhanced oil recovery (EOR) techniques to maximize its reserves and aims to achieve a daily output of one million barrels by 2015.

## **Best Products/Services**

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Drills and drilling services, hydraulic fracturing technology and services, oil-extracting equipment, sand removal devices for crude oil, boilers, drilling rods, burners in mobile tanks, pipeline heating for heavy crude, water treatment systems, steam injection and other enhanced oil recovery technologies. Gas plants, pipelines, flow lines, well pads, wells, compressors, rigs and frack spreads, operations support and infrastructure.

## **Opportunities**

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Several multi-billion dollar projects are in the pipeline in Oman, a major new gas find was recently announced and the petroleum sector continues to provide some of the best prospects for U.S. goods and services. A significant portion of the country's oil infrastructure is aging, which provides a market for pipelines, wellheads, pumps, and related equipment. Additionally, Oman has a number of older fields and fields with complex geology, and the first offshore exploration has just begun. As a result, Oman needs advanced technology such as 3-D seismic analysis to facilitate exploration efforts. Finally, there is interest in computer systems that can monitor remote wells and cut labor costs. The Omani environmental protection authorities are seeking advanced equipment to monitor and control on-shore leaks and PDO has initiated the use of unmanned aerial vehicles as a low-impact means of monitoring its fields. All of these opportunities will be attractive to U.S. firms.

The government forecasts that net oil revenue in the current five-year economic plan (2011-2015) will be \$66.3 billion, a 100% increase over the previous five-year plan. The government spends about \$10bn per year in oil production, primarily in enhanced oil recovery (EOR) techniques on behalf of majority state-owned Petroleum Development Oman (PDO). The company will focus on obtaining better production from mature and smaller fields. PDO Managing Director Raoul Restucci, interviewed by "Oil & Gas Middle East" in June 2013, highlighted the fact that the exploration directorate is planning to drill around 100 wells over the next five years and spend more than \$800 million in its search for new reservoirs. Between now and 2022, there will also be 16 significant new projects comprising over \$11 billion of investment and targeted at developing over a billion barrels of oil. Last year, the company made a \$26 billion investment in hydrocarbon exploration and production activities over five years. Restucci and others have estimated the share of production from EOR may reach 25% by 2020.

Oman has over 18 trillion cubic meters of proven natural gas reserves, and the government is heavily investing in liquefied natural gas. Under the eighth five-year plan, the Sultanate will invest \$8.7 billion in gas production. The funding allows for the purchase of compressors, construction of gas pumping stations, laying networks for gas distribution and replacing gas lines. A significant increase in the demand for gas has also led to an increase in the demand for pipelines and associated pressure-limiting and valve stations for Gas Transportation System (GTS). According to PDO, Oman will require one new major pipeline per year. Duqm Special Economic Zone is planning a 250km pipeline from Saih Nihayda gas field to Duqm to deliver 12 million cubic feet of gas per day, 7m of which will be needed for a planned power plant.

In late 2009 the Ministry of Oil and Gas announced significant finds of tight sour gas in the northeastern part of the country at Khazzan field. In order to address the shortage of gas to power industrial diversification, the GoO awarded BP a 15 year, \$15bn+ billion concession to develop the Khazzan gas field, which will start be able to produce up to 1 billion cubic feet per day after it comes online in 2017. The project will require more than 300 horizontal wells and 600 km of flow lines.

In March 2013 PDO announced estimated in-place volumes of 2.9 trillion cubic feet of gas and 115 million barrels of condensate at Mabrouk field. The reservoirs had been hydraulically fractured and tested in late 2012, producing an average of 80 million cubic feet per day, and connected to the existing Mabrouk facilities in January 2013. PDO's Gas Directorate is currently working to fast track the project for full field development.

## **Web Resources**

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Ministry of Oil and Gas  
<http://www.mog.gov.om/>

Ministry of Commerce and Industry  
<http://www.mocioman.gov.om/>

Petroleum Development Oman  
<http://www.pdo.co.om/>

Oman LNG  
<http://www.omanlng.com>

Qalhat LNG  
<http://www.qalhatlng.com/>

Occidental of Oman  
<http://www.oxy.com>

BP Khazzan Field Supplier Registration  
<http://www.omankhazzan.com>

## Transportation / Infrastructure

### Overview

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A sizeable market exists in Oman for meeting the Sultanate's transportation needs. In addition to passenger vehicles, Oman is importing construction, airport, and port equipment. Highlighting its infrastructure investment initiatives are the government's plans to build a national railway connecting Oman to the GCC. The construction of an industrial and transshipment port in Duqm is proceeding, and the Ports of Salalah and Sohar are expanding. Road construction is another major focus of domestic and regional development.

### Best Prospects/Services

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Construction equipment, buses, aircraft, X-ray security screening equipment, port equipment (cranes, rubber tire gantries), port access control and security solutions, logistics software as well as engineering, project management, and consultancy services.

### Opportunities

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Oman's estimated \$7 billion per year in infrastructure spending over the last decade has been focused on the three main ports of Sohar, Duqm, and Salalah; achieving its "Vision 2020" goals of economic diversification and job creation, and at the same time equipping the Sultanate to serve as a global shipping and logistics hub. Duqm is a brand new city established in the interior of Oman featuring a new port; naval base; drydock; fisheries hub; industrial free zone; hotels; power and desalination plants; a \$6 billion, 230,000 barrels per day refinery; RO 185m (\$481.7mn) pipeline network from interior oil fields; liquid jetty; and oil tank storage farm. In addition, the new city requires sewage treatment, drainage, water desalination, power plants, buildings, telecom services and landscaping. Sohar's free zone has been at the forefront of Oman's downstream manufacturing boom. Oman's largest oil refinery also resides there, and is in the process of a \$1.5bn expansion to add another 60,000 barrels to its current 116,400bpd capacity. Salalah is attracting international attention for its prime location at the crossroads of East-West shipping and fast growth. When Oman's new \$15 billion railway is complete (in a long term, 20 year project), connecting to the GCC network, shippers will be able to avoid the risky, costly Straits of Hormuz, simply dropping regional cargo at Salalah for onward multi-modal transit via rail, air, and local shipping.

The Ministry of Transport and Communication is currently constructing several road projects as well as repairing, dualizing, and raising the capacity of the existing roads. One such project is the strategic 256km Al Batinah Expressway. The government authorized RO 1 billion (\$2.6 bn) in the 2012 budget to complete this project. The 750km Adam-Thumrait dualization project is another strategic project as it eases traffic in the northern governorates.

Ministry of Transport and Communications

<http://www.motc.gov.om/en/>

Undersecretary for Ports & Marine Affairs

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Oman Oil

<http://www.oman-oil.com/>

ORPIC

<http://orpic.om/>

Port of Salalah

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Port of Duqm

<http://ports.com/oman/port-of-duqm/>

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Directorate General of Civil Aviation and Meteorology (DGCAM)

<http://www.met.gov.om>

Port Services Corporation

<http://www.pscoman.com/>

Oman National Railway Company (Ministry of Transportation)

Abdulrahman al-Hatmi

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## **Water and Environmental Technology**

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### **Overview**

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Development and rapid population growth have impacted Oman's water resources with around 8% annual growth in consumption, and there is substantial demand for water conservation technology and desalination projects. The salinity of groundwater is a growing problem in coastal agricultural areas, with water tables falling throughout the country. Oman's economy is still heavily dependent on petroleum, and the Enhanced Oil Recovery techniques used to extract its heavy oil requires substantial water treatment. For example, Oxy continuously treats and circulates 500,000 bpd of water to produce steam necessary to heat and extract only 120,000 bpd of the heavy, viscous oil found at its Mukhaizna concession site. Overall, Oman uses 8-9 barrels of water for every barrel of heavy oil extracted.

### **Best Prospects/Services**

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Water recycling and wastewater equipment, desalination equipment, waste management, weather monitors, advanced irrigation equipment, water quality monitoring systems, oil drilling wastewater recycling systems, chlorination units, online water quality analyzers, water quality equipment, groundwater recharge, aquifer management, automated meter readers.

### **Opportunities**

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Companies that can provide equipment for small-scale irrigation should find a ready market among the large number of small farms in the country. Firms with expertise in desalination, sewage, and wastewater treatment may also find opportunities, particularly with ongoing work on a \$1 billion wastewater treatment system for the Muscat area, led by parastatal Haya Water. Haya Water is responsible for connecting 80% of Muscat municipality's six districts to water treatment facilities by 2018 (2100 km of pipelines), will spend an estimated \$4.3 bn on networks and treatment plants. Haya expects almost 80% of homes to be connected to its treatment system by 2018. Haya officials have appealed for assistance and expertise for the process of registering its sewage treatment networks for UN carbon credits, increasing local awareness and acceptance of recycled water, and finding other uses for the treated water. (Only 60-70% of the recycled water is currently used, mostly for irrigation, gardening, and golf courses. The rest is discarded into the sea or used to supply a nature lagoon which is being developed as a bird breeding sanctuary.) Haya would also like to look at ways to recover methane as a source of energy and further develop its effluent fertilizer product. Finally Haya is urgently seeking solutions for odor management around its treatment plants.

Oman's Environmental Services Holding Company (OESHC), a GoO agency restructuring and privatizing the solid waste sector, has plans to close nearly 350 dump yards, and seeks expertise on waste management, dump site rehabilitation, waste-to-energy options, and recycling. (Currently there is no local recycling; paper, plastic and cans must be sent to Dubai to be recycled, which is uneconomical.) U.S. expertise on

“green” waste management and public awareness-raising would be welcomed in this nascent industry, and could lead to attractive opportunities for U.S. investors, with many upcoming projects for landfills (16), transfer stations (65), and treatment plants (4). In 2012, OESCH completed feasibility studies on a National Healthcare Waste Plan, Electronic Waste Management Plan and Used Tires Recycling Project. The company estimates about 1.5kg of municipal solid waste is generated per person per day in Oman. With the population of around 3m, total waste of 4,383 tons is generated per day, totaling about 1.6mn tons per year. One dumpsite in Raysut alone has about 4mn used tires.

Upcoming integrated water desalination plant projects include:

- Al Ghubrah IWP, capacity expansion to 191,000 M3/d, COD by 2014.
- Wadi Dhiqa Treatment Plant, capacity of 67,000 m3/d, COD by 2015.
- Al Suwayq IWP, capacity of 225,000 M3/d , COD by 2016.
- Quraiyat IWP, capacity of 180,000 m3/d, COD 2018.
- Expansion in Sur, capacity of 40,000 m3/d, COD 2016.
- New IWP in Salalah, capacity of up to 27,000m3/d by 2018
- New plant in Duqm, 10,000m3/d by 2014

## Web Resources

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Oman Power and Water Procurement Company

<http://www.omanpwp.co.om>

Andrew Rackham

Director of Projects Development

[Andrew.Rackham@Omanpwp.com](mailto:Andrew.Rackham@Omanpwp.com)

Ministry of Environment and Climate Affairs

<http://www.meca.gov.om>

Oman Wastewater Services Company S.A.O.G

<http://www.owsc.com.om/>

Oman Environmental Services Holding Company

<http://www.oeshc.co.om>

Haya Water Treatment & Distribution

<http://www.haya.com.om>

Public Authority for Electricity & Water

<http://www.paew.gov.om>

Omar Hussain al-Durra

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Ministry of Regional Municipality and Water Resources  
<http://www.mrmwr.gov.om/en/>

Middle East Desalination Research Center (MEDRC)  
Ambassador Ronald Mollinger  
Director  
P.O. Box 21  
Muscat, P.C. 133  
[mollinger@medrc.org.om](mailto:mollinger@medrc.org.om)  
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## Medical Equipment & Services

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### Overview

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Over the last 35 years, Oman has invested heavily in the health sector and succeeded in creating a relatively modern health care system. Health indicators attest to its comprehensive and well-developed standards. Life expectancy at birth is a remarkable 75.5 years, placing Oman on a par with many advanced western nations. The United Nations 2010 Human Development Report listed Oman at the top of the world's 10 leading countries that have made the greatest progress in recent decades in public health. The government's determination to provide all its citizens with free, basic health care, along with treating persistent diabetes and cardiovascular disease, means that health-related expenditures are growing. The country's healthcare infrastructure now boasts around 65 modern hospitals with almost 6,000 beds, a ratio of 2.1 beds for every 1,000 citizens in addition to more than 242 health centers and close to 1,000 private clinics throughout the Sultanate. In 2012, the two leading private hospitals (Starcare and Muscat Private) both received Joint Commission International certification.

The healthcare market in Oman is expected to be worth US\$2bn by 2015 as a result of population growth, rising levels of lifestyle-related diseases, and increased health insurance, according to a report by corporate advisory company Alpen Capital. Stating that the market in the Sultanate is "in the developing stage," the report adds that the market is expected to grow at a compound annual growth rate of 9.3% between 2010 and 2015 from the 2009 market value of US\$1.2bn. In addition, the number of hospital beds required to meet this demand is anticipated to rise from an estimated 5,722 to 6,300 by 2015, with a sizeable proportion expected to be absorbed by the US\$1bn Oman Medical City, a 530-bed facility to be developed in Salalah. At \$150, Oman had the lowest sales per capita of medicines in the GCC in 2012, according to Alpen Capital. The size of the Omani pharmaceutical market was valued at US\$476mn in 2012 as compared to US\$431mn in 2011. (QNB Capital reported \$152m in spending on drugs in Oman in 2012.)

Normally, medicines, equipment, and drugs require approval of Ministry of Health before being released. In January 2013, GCC health ministers signed an agreement to lower drug prices, though the move has not yet been implemented. The announcement was welcomed by local drug manufacturers while established pharmacy chains feared the impact on profit margins.

### Best Prospects/Services

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Pharmaceuticals, medical equipment and supplies, X-ray and MRI apparatus, ultrasound devices, surgical equipment, management information systems, distance medicine, and healthcare administrator training.

### Opportunities

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The Omani market offers solid prospects for U.S. health care products. Oman is focused on upgrading its facilities and diagnostic capabilities. The current five-year plan includes spending slated for preliminary and secondary healthcare in addition to women's health

issues, infectious and non-infectious diseases, radiology, ophthalmology, mental health, and occupational health. The Ministry of Health has expressed interest in U.S. healthcare information management technologies as part of its efforts to standardize operations and establish interconnectivity among Oman's hospitals and regional clinics.

The 2011 budget allocated \$871 million to healthcare, with an increase to \$993m in the 2012 budget. Oman increased its state budget for health by 9.4 percent in 2013, growing to OMR 547 million (\$1.4 billion). The health budget accounts for 5 percent of the total state budget, which stands at OMR 12.9 billion (\$33.5 billion). After the Ministry of Health (MoH) brought together stakeholders, investors, and international experts at a Vision 2050 Planning Conference in early May 2012, the Omani cabinet approved R.O. 1 billion (\$2.6 bn) to upgrade Oman's healthcare infrastructure over the next three years. A new medical city, to be located in Muscat, is approved by the cabinet to begin construction in 2013 with a budget of R.O. 700 million (\$1.8bn). MoH also has plans to build 30 hospitals and health centers around the country in projects worth \$1bn including new hospitals in Salalah, Khassab/Mussandam, Duqm, and Ghala. The MoH will require support from specialized companies and international expertise as its Planning Division has only 11 employees and lacks the capacity to design and manage large-scale projects.

Projects that should be implemented during the new five-year plan include a new referral hospital in Muscat, at the cost of \$358 million; a hospital in Salalah, at the cost of \$122 million; and new hospitals worth \$142 million in Suwaiq, Mahout, Sinaw, Dhalkut, and Al Muziunah. The Health Ministry is planning to set up and renovate seven hospitals as part of its 36 projects planned for the Eighth Five-Year Health Plan 2011-2015. Highlights include: 19 health centers, a tumor ward at the Royal Hospital, a National Center for Cardiology, a National Center for Diabetes, a Cardiology Centre and an MRI unit in Salalah, a Diabetes Centre in Sur, rehabilitation of Sultan Qaboos Hospital in Salalah (for outpatients), rehabilitation of Khoula Hospital (for accidents and emergencies), power transmission stations for the Royal Hospital, Al Maziouna Hospital, Dalkout Hospital, health centers at Sarfit and Al Hashman, and upgrading Khasab hospital to a referral hospital for the Governorate of Musandam. Finally, the Royal Oman Police will construct a new 4-600 bed hospital over the next three years, requiring equipment, management services, and drug imports.

The MoH has outlined other requirements including a full-fledged EMS / ambulance system, innovative health insurance solutions for the 1.3 million expat population (and eventually for citizens, currently covered by the government), customized patient catering plans, and help with recruitment to address Oman's severe shortage of doctors. Oman's Minister of Health, Dr. Ahmed bin Mohammed bin Obaid al-Saidi, announced early this year that the Sultanate is facing a shortage of around 8,900 doctors and nurses by 2015, with 3,288 vacant positions currently. MoH needs to send at least 50 high school graduates to an English-speaking country every year to study medicine in order to keep up with patient growth. Ministry officials are anxious to partner with U.S. universities to train and certify Omani healthcare practitioners. MOH has also expressed specific interest in U.S. healthcare information management technologies as part of its efforts to standardize operations and establish interconnectivity among Oman's hospitals and clinics.

In addition, a private Saudi investor (Apex) is partnering with Methodist International, a U.S. healthcare management firm, to establish a \$1bn International Medical City (IMC) in

Salalah. (Oman was chosen for its ample available land, Salalah's pleasant coastal weather, and the Sultanate's societal tolerance for international visitors staying for extended periods.) The company's goal for the IMC is to offer a world-class local option for the GCC population currently seeking quality healthcare overseas, and serve as a regional center of excellence for genetic diagnostics, organ transplants, and rehabilitation. The master plan for the seaside, resort-style hospital includes educational facilities as well as long-term villas and apartments for family members of patients from around the world.

## Web Resources

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Royal Oman Police Medical Services

<http://www.rop.gov.om/english/>

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Ministry of Health

<http://www.moh.gov.om/>

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## **Manufacturing**

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### **Overview**

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Electrical machinery and mechanical equipment continues to be a leading sector for U.S. exports to Oman. Given the growing number of industrial, mining, and infrastructure projects underway, the demand for such equipment and modern instrumentation is projected to increase in the coming years. The port/free zones offer investors well-equipped facilities outside the congested Strait of Hormuz to serve as low-cost manufacturing and re-export hubs. Petrochemicals production in Oman reached 9.5mn tonnes in 2012, up from 8.9mn tonnes in the previous year, according to the annual report of Gulf Petrochemicals & Chemicals Association (GPCA). The Sultanate's petrochemicals capacity is equivalent to 7.4 percent of the GCC's total capacity. (Oman's petrochemicals sector is the third largest in the region, behind Saudi Arabia and Qatar which account for 86.4mn and 16.8mn tonnes of capacity respectively.)

Sohar has been at the forefront of Oman's downstream manufacturing boom, featuring a free zone made up of aluminum, steel, plastics, petrochemicals, sulfur and fertilizer industries. The PET and methanol industries in Salalah's free zone, in combination with Sohar, have contributed to Oman's success in reducing the contribution of oil and gas to only 52% of GDP from the lion's share only about a decade ago though the downstream manufacturing sector still relies on scarce gas for power as well as oil as an input. Most current industry is focused on downstream petrochemicals; in 2012, Oman's plastics exports to the U.S. grew by 33%, fertilizers by 224%.

### **Best Products/Services**

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Appliances, elevators, cranes and bulldozers, building and construction equipment, shipment handling and transportation, electrical switchgear, dredging equipment. Facility maintenance and centralized utility services.

Plastics: Non-woven Plastics, Biaxially oriented polypropylene film, Flexible intermediate bulk containers and woven sacks, Polypropylene ropes, PP cast films, various PP injection molded/thermoformed products, PP multifilament and monofilament yarns, Wood plastic composites, PP staple fiber, PP box strapping, PP non-composites.

### **Opportunities**

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With a number of new electrical and mechanical projects either in operation or under construction, including a number of Sohar, Sur and Duqm-based projects such as an independent power facility, a new oil refinery, several fertilizer and methanol plants, a polypropylene plant, an aluminum rolling mill, an iron and steel factory, and a petrochemical complex, this sector is expected to continue its robust growth. Takamol Investments, the industrial project arm of the GoO's Oman Oil Company, is financing several multi-million dollar downstream value-added industrial projects, including industrial gases, sulfur fertilizer, steel wire, chemical blending, aluminium rolling, cement manufacturing and mining. The company, which has focused efforts in the free zone associated with the strategically located Sohar Port, also seeks expertise in facility management and centralized utility service provision.

In May 2013, Oman Oil Refineries and Petroleum Industries Company (ORPIC) announced a \$3.6bn integrated refinery and petrochemical scheme at Sohar. When operational in 2018, the Sohar Plastics Project will produce 420,000 tonnes per annum (tpa) of high density polyethylene (HDPE), 420,000 tpa of low density polyethylene (LDPE), 215,000 tpa of polypropylene, 168,000 tpd of additional gasoline, and 46,000 tpa of additional benzene.

#### **Web Resources**

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Oman Oil Company

<http://www.oman-oil.com/>

ORPIC

<http://orpic.om/>

Takamul Investments Company

<http://www.takamul.com>

Sohar Port & Free Zone

<http://www.portofsohar.com>

Public Authority for Investment Promotion and Export Development

<http://www.ociped.com>

Ministry of Commerce & Industry

<http://www.mocioman.gov.om>

#### **Power**

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In 1996, Oman became the first Arab country to turn exclusively to the private sector to build, own and operate (BOO) a major power project with a 90 MW plant in Manah. The Manah project has been a successful and profitable operation, and the plant was expanded to 270 MW in early 2000. The success of the Manah project led to several other BOO power projects. The Oman Power and Water Procurement (OPWP) company, a RO 300m (\$780m) turnover company, has several years' experience working with private investors, who have invested \$6.7bn in the sector so far. Oman is also at the forefront of the region in terms of efficiency, having moved from an administrative to an economic valuation of gas for evaluating proposed projects, though the government subsidizes about 40% of the cost.

Tariffs are as follows:

Industrial - 24 baiza (\$.62)/kw in the summer, 15 baiza (\$.40) in the winter

Residential – 20 baiza in the summer (up to 3000kwh), 10 baiza in winter

Commercial – 20 baiza flat rate

Recent developments include tendering for several new Independent Water and Power Projects (IWPPs) to nearly double Oman's power generation capacity, which is currently around 4500 MW. Privately financed projects planned for Barka/Sohar, Sur, Ghubrah, Salalah, and Duqm are set to be operational by 2015. With increasing private participation (private investors and public shareholders make up the majority of new and upcoming power projects) and strong annual growth rates for both power and water, there are many opportunities related to the construction of Integrated Power and Water Plants.

The Oman Electricity Transmission Company (OETC) has planned significant capital expenditures over the next few years in order to keep up with strong power demand growth. In May 2013 Dr Hilal Abdullah Al Nasserri of OPWP said demand for power is set to grow by around 9.5% a year over the next ten years, implying between 7,190MW-9,133MW will be needed by 2019. (Electricity supply was up 9% overall in 2012.) Overall national production rose 13% and customer accounts rose 7% from 667,668 in 2010 to 727,621 in 2011. OETC recently announced \$8bn in new projects from 2012-2016. The Public Authority for Electricity and Water announced RO 390 million (\$ 1bn) for expansion in provision of electricity and water services in the 2012 budget.

#### **Best Products/Services**

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Power transformation and networking, power generation equipment, gas-fired turbines, dispatch and transmission equipment, related software and control systems.

#### **Opportunities**

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Companies specializing in power plant construction, power generation equipment, and power plant operations and processes should find opportunities in Oman. With its growing population and need for expanded power generation, Oman has made privatization of future power projects a priority. The government forecasts significant demand increases for power and water in coming years.

Highlights include:

- Increasing the number of 220/132 kV grid stations from seven to 13 before the summer peak of 2015, with an additional installed firm grid substation capacity of 6,000 MVA.
- Increasing the number of 132/33 kV grid stations from the 42 in service at the beginning of 2011 to 56 by the summer peak of 2015.
- Introducing the first 400kV connection between Jahloot grid station and Sur power station.
- Completing a 220kV double circuit ring around northern Oman.
- Upgrading the Liwa grid station to supply industrial projects at Sohar Free Zone.
- Construction of a 40m gallon per day water desalination plant in Al Ghubra.
- Construction of a water treatment plant in Wadi Dayqah to supply Muscat.
- Construction of two new 44m gallon per day water plants in northern Batinah and Quriyat.

- Implementation of a pilot RO 250m (\$650m) electronic meter reader system for power and water.
- 11KV sub-station and distribution network for Duqm scheduled for tendering in Q2 2012.

## **Web Resources**

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Public Authority for Electricity and Water Regulation

<http://www.paew.gov.om>

Oman Power and Water Procurement Company

<http://www.omanpwp.co.om>

Dhofar Power Company

<http://www.dpcoman.com/>

Majan Electricity Company

<http://www.majanco.co.om/>

Mazoon Electricity Company

<http://www.mzec.co.om/>

Muscat Electricity Distribution Company

<http://www.ehcoman.com/businesses.aspx>

Oman Electricity Transmission Company

<http://www.omangrid.com>

## **Franchises**

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A number of U.S. franchises are well established in Oman, particularly in the fast-food restaurant sector (McDonalds, KFC, Pizza Hut, Hardees, Subway, Papa John's, Chili's, Starbucks, Dunkin Donuts, Baskin Robbins, Dairy Queen, Pizza Inn, Caribou Coffee, and Cold Stone Creamery). U.S. car rental franchises (Hertz, Budget, Avis, Thrifty, Pay-Less) are also popular. Omani businesses continue to express interest in U.S. franchise opportunities. There are currently limited entertainment options for families and young people, so educational and amusement-themed investments would likely do well.

## **Best Products/Services**

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Toys and games, food and restaurants, amusement and recreation, vocational repair and maintenance services.

## Opportunities

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A young and growing population with significant amounts of disposable income has created a powerful consumer market in Muscat and other urban areas of Oman.

## Resources

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International Franchise Expo  
<http://www.ifeinfo.com>

Ministry of Commerce and Industry  
<http://www.MoCIoman.gov.om/>

Muscat Municipality  
<http://www.mm.gov.om>

Oman Chamber of Commerce and Industry  
<http://www.chamberoman.com/>

## Telecommunications

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## Overview

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Oman's telecommunications infrastructure and service is rapidly improving. Recent privatization of the telecommunications sector has allowed for an increase in the number of fixed lines and internet penetration. The World Economic Forum's Global Information Technology Report 2013 reported that Oman's mobile tariffs almost halved in 2012, while mobile broadband penetration rates nearly doubled. The report noted that Oman's mobile subscription rates, at 200%, are among the highest in the world. The young and growing population is continually increasing the demand for modern telecommunications and broadcasting systems, and mobile penetration stands at more than 170%.

Prior to 1999, telecommunications services in Oman were controlled by the government-owned General Telecommunications Organization (GTO). In 1999 GTO was replaced by OmanTel, a closed stock company which went public in 2005. At the same time, Oman's telecommunications sector slowly began opening up to competition. In 2004, the Sultanate announced that Nawras Telecom (a consortium of Qatar's Q-Tel, Denmark's TDC, and local investors) had won the second GSM license to provide cellular service in Oman. Nawras' subsequent introduction of service marked the first crack in the state telecoms monopoly.

By 2010, the total number of mobile phones in Oman exceeded 4.5 million, far more than the number of people living in Oman, many of whom maintain multiple handsets and subscriber plans. The explosion in cellular penetration may be due to the entry of five additional mobile virtual network operators (Friendi, Renna, Samatel, Mazoon, and Injaz Mobile) to the market from 2008 to 2011. Likewise, internet penetration has significantly increased. Broadband was introduced in 2006, and subscribers to the service have dramatically increased on an annual basis. More than 74% of Omanis are now internet users, most via mobile handsets. OmanTel and Nawras are the two

broadband providers in Oman. Tata's SEA-ME-WE-3 submarine cable landing was completed as of November 2011 and provisioning to telecom operators is underway. The cable carries 48 wavelengths of 10/Gbps traffic, and has dramatically increased Oman's available internet bandwidth.

Statistics on Telecom Use in 2012 are as follows:

Total Post and Pre-Paid GSM Subscribers....5.3m  
Mobile Broadband Service Subscribers 1.908m  
Total Internet Subscribers....129, 760  
    Fixed Broadband 108,908  
    Dial Up Subscribers 6,434  
Total Fixed Landline Subscribers....331, 760

Most telecom products are exempted from customs duty under the U.S.-Oman FTA and Oman's WTO commitments. Before importation of telecom products into Oman, type approval for standard compliance must be obtained from the Telecom Regulatory Authority (TRA). After ensuring compliance, as well as local availability of servicing, TRA will then issue a certificate allowing the dealer to import. Encrypted products require a license from the Minister of Transportation and Communication (details available in TRA Decision No. 37/2008). Some products may require Royal Oman Police Customs officers to obtain a release from TRA. Dealers should be registered with TRA (there is an annual fee of RO10-160), and new products require a one-time approval fee ranging from RO 100-200. Radio frequencies must also comply with Oman's Region 1 ITU plan.

### **Best Products/Services**

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Fixed telephone and cellular (GSM) equipment, network solutions and software, fiber optic cabling, and wireless networking. Databases, data centers, cloud computing, secure credentialing and cybersecurity, Arabic e-content and mobile applications, targeted internet advertising. Hardware contract manufacture and assembly, customer support services for Arabic-speaking markets, IT consultancy and integration services, data entry and conversion, back-office transaction processing for multinational companies, software development, testing and customization; coding, design and product development; training and education.

### **Opportunities**

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Telephone and internet service is available in all but the smallest villages. Based on the expanded market, there are opportunities in support services and software. The GoO is particularly interested in investments that will leverage the skills of young Omani programmers, e.g., Arabic content and local applications. The GoO opened a cyber security center with regional responsibilities in 2011. Government-owned telecom provider Omantel spent RO 84 million (\$218 million) on network investments in 2011, and plans to maintain that level of spending (about 20% of revenue) for the foreseeable future. On January 23, 2013, TRA officials stressed that they are actively seeking more competition in the Omani telecom market, and would like to see greater U.S. participation. They said a new licensing framework, currently out for public comment, will allow for further market opening.

Haya Water, the parastatal responsible for connecting 80% of Muscat municipality's six districts to water treatment facilities by 2018, expects almost 80% of homes to be connected to its treatment system by 2018. The company has identified the laying of fiber optic cables and provision of "triple play" and other data services as an opportunity for investors; this infrastructure is estimated to be worth RO 106 million, or \$276 million. In addition, Oman still uses a manual meter reading system. Haya would like to revamp this and install new SCADA systems to facilitate real time readings and billing. This could be overlaid on the residential fiber network. In May 2012, the GoO established its own internet broadband company in order to supply the newly installed fiber optic cable from Haya's "Fiber To The Home" project to local internet service providers at a reduced, operational cost.

## Web Resources

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Ministry of Transport and Communications

<http://www.motc.gov.om/en/>

Omantel

<http://www.omantel.net.om/>

Nawras Telecom

<http://www.nawras.com.om/>

Telecommunications Regulatory Authority

<http://www.tra.gov.om/>

Information Technology Authority (ITA)

<http://www.ita.gov.om>

Annual Cybersecurity Conference

<http://www.cyberdefencesummit.com/>

Haya Water

<http://www.haya.com.om/>

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Oman is uniquely positioned as an attractive site for commercial fisheries due to its 3,165 km coastline, 400,000 square kilometer exclusive economic zone, ideal temperature conditions allowing for two shrimp cycles per year, and rich biodiversity, with more than 1,000 species of fish and marine invertebrates. The ocean shelf along the coast features a steep drop-off, which, combined with annual monsoons, results in seasonal “upswellings” of fertile nutrients from the sea depths to the shallower coastal waters. Oman’s low population density, strict regulation of trawling in its Exclusive Economic Zone, and minimal pollution have preserved these pristine conditions. Many, including abalone, mollusks, spiny lobsters, shrimp, kingfish, grouper, sea bream, and tuna, are of high economic value and could help fill the 40 million ton gap between global fish supply and demand expected by 2030. However, the aquaculture sector is still emerging, with only one active fish farming company and significant room for investment. At present, only about 127 tons of shrimp is farmed.

Total Omani fish production, including traditional fishing, stood at 164,000 tons in 2010, valued at \$307 million. Exports are currently at \$165 million with the majority exported within the region and virtually none to the United States. MOAFW estimates that aquaculture could represent a 220,000 ton/\$500-900 million industry by the year 2030. Omani consumers are experiencing not only a shortage of fish in the Sultanate’s markets but also rising prices. Domestic consumption was at 88,971 tons in 2011. Fish prices rose by 20% the same year due to a growing population and demand from neighboring countries and tourist facilities. As one way of addressing this demand, the GoO is now encouraging the private sector to invest in fisheries and fish production with more innovative sustainable techniques, namely fish farming or aquaculture. The government has disallowed foreign trawling as of May 2011 in order to allow the Omani fishing sector to develop. In May 2013, MOAFW announced an increase in fishery production of 21%, with a 16% increase in farm gate value, between 2011 and 2012.

The Ministry of Agriculture and Fisheries Wealth (MOAFW) is a strong partner with the U.S. government, admirer of U.S. fish farming, and supports regular Omani attendance at the Boston Seafood Show. Officials including the Fisheries Minister have expressed enthusiasm about working with the U.S. Embassy in Muscat to 1) increase Omani fish yields through aquaculture and possibly export to the U.S. under our Free Trade Agreement (FTA); 2) to welcome potential U.S. investors to tour local marine research and fishery facilities; and 3) to facilitate exchanges between U.S. and Omani researchers.

Officials are moving forward with a UN Food and Agriculture Organization national strategic plan for the development of the aquaculture sector. Investment guidelines are in place, a state of the art aquaculture research and support center complete, suitable sites mapped, and national strategy and regulations issued. The first applications for commercial aquaculture investments are expected in July 2012. MOAFW’s latest feasibility study reveals production from fish farming could reach 10,000 tons per year in the first three years of development, and reach 36,000 tons per year in the following decade. The American market has a \$9 billion seafood deficit, and is the top importer of high-value fish, such as the shrimp, cobia and abalone common to Oman. Oman is

uniquely positioned to serve as a regional aquaculture hub with its ideal cold ocean drafts, well-equipped research center and quality control labs, and traditional fishing culture (although now in decline due to illegal overfishing and in need of greater productivity through sustainable fisheries). Oman is slated to join the World Aquaculture Society and currently hosts the Indian Ocean Rim Fish Support Unit, providing training on food safety, stock assessment, fish farming, and biology for Indian Ocean Rim member states. MOAFW officials and visiting experts have suggested that Oman could potentially serve as a regional “center of excellence” on aquaculture, and that a fishery “cluster” should be set up to serve the fledgling industry with shared services, expertise, and infrastructure.

## **Best Products/Services**

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- Aquaculture & Mariculture (crustaceans such as shrimps, abalone, and mollusks such as mussels, and finfish such as salmon and kobia)
- Biotechnology, including R&D activities using fish oil
- Consultancy services on feasibility and design of aquaculture farms
- Manufacture of fish feed
- Fishing and other commercial & leisure /ship & boat building and maintenance
- Fish processing, including tuna, and canning
- Harbor and port development
- Pearl cultivation
- Tuna fattening

## **Opportunities**

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The MOAFW has specifically singled out a desire for American technology and expertise as the sector develops, which is a significant advantage for American companies. Investments providing employment for Omani fishermen, who have experienced yield declines due to illegal overfishing in Oman’s Exclusive Economic Zone in recent years, will be viewed most favorably by the GoO. The MOAFW has identified fisheries, support services (e.g., cold storage, pharma, and processing), and technology, e.g., fishery oxygen maintenance and data monitoring as potentially attractive areas of investment for U.S. companies. The Ministry has also determined that the most suitable production methods are: marine recirculation aquaculture system for European sea bream and sea bass and shrimp farming. The Ministry is targeting 500,000 tons of edible fish and another 400,000 tons of inedible fish production in Oman in the next 10 -12 years.

In April 2013, the MOAFW announced an approximately \$150 million tender for Phase I of a comprehensive fishery harbor and processing center at Duqm. The addition of fish processing facilities, cold stores, research and quality testing labs, and training institutes in the next phase will take the project over the \$250m mark.

Currently MAFW offers the following financial incentives:

- Fish culturing systems: 80% of the fair value purchase price, up to OMR3,000.
- Small fish: 80% of the fair value purchase price, up to OMR 1,000.
- Fish feed: 80% of the fair value purchase price, up to OMR 2,000.

- Equipment and devices: 80% of the fair value purchase price, up to OMR1,000.

The United States Department of Agriculture (USDA) and the Regional Agricultural Trade Office in Dubai report on agricultural issues and statistics for member countries of the Gulf Cooperation Council except for the Kingdom of Saudi Arabia. Agricultural research reports and statistics can be found on the U.S. Department of Agriculture (FAS) web sites as follows: (statistics) [http://www.fas.usda.gov/scriptsw/bico/bico\\_frm.asp](http://www.fas.usda.gov/scriptsw/bico/bico_frm.asp) and (market research) [http://www.fas.usda.gov/scriptsw/attacherep/attache\\_lout.asp](http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp).

### Suitable Locations for Aquaculture Investment in Oman:



Source: MOAFW, December 2011

### Resources

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Ministry of Agriculture & Fisheries Wealth

<http://www.moa-oman.faorne.net> or <http://www.mofw.gov.om/aquaoman/>

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International Boston Seafood Show  
<http://www.bostonseafood.com>

Public Authority for Investment Promotion and Export Development  
<http://www.ociped.com>

U.S. Foreign Agricultural Service –Dubai  
<http://www.usembabu.gov.ae/atodubai.htm>

## Higher Education

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## Overview

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The education sector in Oman has made remarkable progress since 1970, particularly in expanding access to education and developing an Omani teaching force. In 1970 there were only 900 students enrolled in schools, this saw an impressive rise to 600,000 in the academic year 2008-09. In 1981 there were 5,000 teachers in Oman, of which eight per cent were Omanis, while in 2009 the country had 43,000 teachers of which 89 per cent were Omanis. In the decade between 2000-2010, spending in the education sector increased by 173 per cent. In 2008-2009, the gross enrolment rate (GER) was 97 per cent; 1,047 public schools served 89 per cent of the enrolled students. The survival rate (percentage of students who enter the first grade of primary education and who are expected to reach the last grade, regardless of repetition) was 64 per cent in 1998-99 and went up to 86 per cent in 2008-09.

Capacity of higher education has also grown rapidly with the opening of Sultan Qaboos University in 1986 and the growth of colleges of technology, applied sciences and other specialized fields. Currently 54 per cent of grade 12 graduates seek higher education, out of which 92 per cent study in Oman.

(Interestingly, a 2012 report entitled “Education in Oman: The Drive for Quality,” jointly prepared by the Ministry of Education and the World Bank notes a significant gap in achievement between men and women, with women far outperforming men.)

The government is looking to upgrade the skills of Omani graduates, making them more globally competitive and compatible with the needs of industry, through significant investment in new centers of higher learning. Education and training were awarded \$3.38bn, or 10% of all projected state spending in Oman’s budget for 2013, up 25% from

last year. Competitive scholarships and systems of financial aid encourage Omanis to pursue higher education; however, challenges remain in the balance of resources and quality between private and public institutions. The lack of adequate English language skills due to systemic problems in the primary and secondary education systems continues to significantly affect the quality of Omani higher education and restricts Omani students' participation in international programs and partnerships. English is the main language of instruction at all of Oman's HEIs. However Arabic still dominates at the secondary level, and many students come to university unprepared to study in English. The General Foundation Program (GFP), taken by about 88% of students in Omani HEIs, is meant to prepare students in English language, study skills, and other key subjects to transition them to post-secondary study, though many still struggle. (According to the Assistant Dean for Undergraduate Studies at SQU only 14 per cent of incoming students in 2011 were successful in the English language test for admission.) Some reasons for persistent English gaps include: the Ministry of Education's previous "no fail" policy (abolished in 2012), a history of low scores considered passing in high school (40-50%), and expatriate (mostly Indian and Filipino) non-native English teachers in Omani high schools. In response to the language deficit, the MOHE is initiating a "Running Start Program" to address the poor English skills of Omani students. The program will pick high performing junior and high school students and fast track them with summer school and other programs, tutoring in ESL, and critical thinking skills.

Students who graduate from high school in Oman are eligible to apply to any Higher Education Institution (HEI). There is currently only one public university in Oman, the premier Sultan Qaboos University (SQU), founded in 1986. The other public HEIs are specialized colleges, also free to students, and fall under the purview of the ministry most related to their academic focus. Institutes and colleges grant credentials ranging from vocational diplomas and certificates to bachelor's degrees. There are some 45,000 students enrolled in Oman's public HEIs, with plans underway to devote significant government resources to a new science and technology-focused "Oman University." Public institutions in Oman, which have higher admissions requirements and are more attractive to students due to free tuition, generally attract largely better-educated, elite students. (Note: Public HEIs are made up of Omani citizens only at the undergraduate level.)

There are 25 private HEIs in Oman, of which six are universities. Private schools educate 35,000 pupils, mainly Omani citizens though foreign students are allowed to enroll. Universities mostly offer a wide array of post-bachelor's degrees, while colleges generally offer up to a bachelor's degree. With one exception -- the University of Nizwa - private HEIs are for-profit. Whereas the GoO directly finances all public HEIs, private institutions rely heavily on student tuition and private investments. Sultan Qaboos granted the five majority Omani-owned private universities RO 17 million in 2009, and the government also subsidizes private universities through land grants and tax exemptions.

During the boom in higher education over the past decade, the MoHE implemented a system of accreditation requiring HEIs to affiliate with Western universities. HEIs were able to pick and choose affiliates, leading to a wide variety in program requirements and quality. Few Omani HEIs are accredited or affiliated with American institutions; the majority are affiliated with universities in the UK and Australia.

## **Best Products/Services**

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- Consulting services: assessment, accreditation, curriculum development.
- Construction and design of new universities and colleges.
- Scholarships: recruitment of Omani students to U.S. HEIs.

## **Opportunities**

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**Strategy & Design:** The Ministry of Higher Education (MOHE) is looking for U.S. firms to help build and design the planned University of Oman, which will be co-located with a new Science and Technology Center. The MOHE has acquired land but is looking for a consultant on strategy and infrastructure. The Science and Technology Center will use MIT as a model, focusing on themes such as engineering, medicine and life science, city planning, entrepreneurship, citizenship, and ethics.

**Assessment:** The Ministry of Education (MOE) seeks help with establishing an assessment center, particularly for training examination officers. MOE officials wish to link up with American organizations/companies in order to establish the assessment center.

**Accreditation:** MOE is also interested in improving its accreditation process – officials want to make contact with accreditation institutions in the US so they can learn how to grant accreditation to private schools.

**Curriculum:** MOE is they are reconsidering Oman's whole approach to its math and science curriculum. Officials are interested in increasing STEM programming in schools. MOE leadership also wants to establish links and network with professional societies and organizations in the U.S., especially for professional development opportunities for Omani curriculum designers, who need specific and focused training.

**Exchange:** The GoO would like to increase exchange programs of short duration (6 weeks or so), especially those focused on ESL and professional certification.

**Scholarships:** After "Arab Spring"-related protests, Sultan Qaboos in 2011 launched a new government scholarship program sending 500 or more Omani students to the U.S. for undergraduate education every year for the next five years. In 2012, the U.S. Embassy issued almost one thousand student visas; about half were scholarships. According to the Institute for International Education's recently-released Open Doors 2012 report, Oman had one of the highest increases in the region of students studying in the U.S., with an increase of almost 72%.The program will continue adding 500 or more scholarship students each year for the next five years, significantly increasing the number of Omanis studying in the U.S.

Ministry of Education

<http://www.moe.gov.om/>

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Ministry of Higher Education

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## Chapter 5: Trade Regulations and Standards

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### Import Tariffs

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Foreign, non-American/GCC goods are imported according to Oman's tariff schedule, which imposes modest duties generally not exceeding 10%. With the entry into force of the U.S.-Oman Free Trade Agreement in January 2009, bilateral trade in industrial and consumer products, with the exception of certain textile and apparel products, is now duty free. Oman provided duty free access on virtually all products in its tariff schedule and will phase out tariffs on the remaining handful of products within a few years. More information on the FTA can be accessed at <http://www.omanusfta.com>.

Despite the entry into force of the FTA, difficulties remain for duty-free access of selected goods. The Royal Oman Police–Customs occasionally collects customs duties on some bonded items that are transshipped to Oman by road via the United Arab Emirates, businesspeople report being asked to provide unnecessary Certificate of Origin stamps from various American chambers of commerce, and there have been reports that goods that are not individually engraved as “Made in the USA” do not receive the preferential treatment they are accorded in the FTA. In addition, some importers have reported Omani customs officials denying duty-free entry to imports meeting the 35% American origin requirement for duty free access due to the presence of a few non-American parts in the same container, in violation of the FTA. According to the FTA, legalization or “consularization” of trading documents is not required, shipments are not required to originate in U.S. ports or airports, and transshipment by land is allowed.

Companies looking to import goods to Oman must register with the Ministry of Commerce and Industry. A special license must be obtained for the importation of certain classes of goods, such as alcohol, livestock, poultry, firearms, narcotics, and explosives. The licensing of business activities can be complicated and can significantly add to the time it takes to get goods to or out of market.

Media imports are subject to censorship by the Ministry of Heritage and Culture for morally or politically sensitive material. The Ministry of Information delays or bars publications if their content is deemed morally suspect or politically sensitive.

**Import Requirements and Documentation**

According to a Royal Oman Police Customs Directorate (ROP Customs) presentation in October 2012, the following are required for clearance of imported goods:

1. Submitting the following documents:
  - An accredited copy of commercial registration and an activity form or permission for importing if such a form doesn't exist.
  - A valid copy of the affiliation certificate to Oman Chamber Commerce & Industry (OCCI).
  - A valid certificate from the manufacturer.
  - A valid quotation list.
  - Packing lists.
  - Bill of lading at sea and air custom offices only.
  - A manifest of the shipment (containing a detailed description of the cargo).
  - A permission of deliverance from the shipping agent.
  - A comprehensive valid written authorization from the person in charge of custom clearance.
2. Filling in an import statement and clearing form, and classifying the goods according to the operating system along with other required documents which should be submitted "To Whom It May Concern".
3. If there is no valid purchase invoice or a valid certificate from the manufacturer, clearance will cost RO 20 paid in cash. This money could be reimbursed if the required documents are submitted within 90 days from the date of payment.
4. Providing an approval from the authority in charge for restricted goods.
5. Paying the required taxes and custom fees for the total value of the shipment including cargo and insurance (CIF).

As per the FTA, Oman no longer requires U.S. companies to present authenticated legal and shipping documents or certificates of origin on eligible (35% value-added) U.S. goods qualifying for duty free entry, although in practice some government officials still ask for such documentation.

In order to accelerate the flow of goods and promote its ports and airports, Oman has been simplifying customs clearance documentation. Oman has implemented the Customs Valuation Agreement and is working to further enhance its customs valuation systems. In 2011 the U.S. Department of Commerce hosted Omani customs officers in the U.S. for training on advance determination rulings. In 2013, ROP Customs announced it has engaged with Crimson Logic of Singapore to roll out an electronic "Single Window" customs system to smooth processing, though implementation will likely take two years or more.

Certain classes of goods require a special license (e.g., alcohol, firearms, pharmaceuticals, and explosives). All media imports are subject to censorship. The Ministry of Heritage and Culture may reject or expunge morally or politically sensitive material from imported videos. The Ministry of Information delays or bars the entry of magazines and newspaper editions if it takes exception to a story on Oman or deems the content morally suspect. In practice, the effect of this censorship on non-pornographic materials is usually mild. Imports of pork products and alcoholic beverages are restricted. Oman generally does not comply with the Arab League boycott of Israel-origin imports, though in 2011 and 2012 there were reports of tenders featuring outdated language enforcing the boycott.

## **U.S. Export Controls**

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The U.S. Government has established export controls to limit proliferation of certain items, services or technologies of defense or dual-use nature. The Arms Export Control Act (AECA) establishes the statutory authority for the control of arms exports. Executive Order 11958 assigns responsibility for designation of defense articles and defense services, as well as control of Direct Commercial Sales (DCS), to the Secretary of State. The International Traffic in Arms Regulation (ITAR) implements the AECA. The ITAR contains the United States Munitions List (USML) in Part 121, which identifies those defense articles, including technical data, and defense services subject to U.S. Department of State jurisdiction.

The Directorate of Defense Trade Controls (DDTC) in the Bureau of Political-Military Affairs at the Department of State is responsible for implementing the ITAR and its controls. DDTC's mission is to "advance US national security and foreign policy through licensing of direct commercial sales in defense articles and the development and enforcement of defense trade export control laws, regulations, and policies." When reviewing a license application, DDTC considers the applicant's eligibility, parties/countries involved in the transaction, the commodity and quantity to be exported, the end-use and end-users, the value of the export, the shipping/routing details, and congressional reporting thresholds/interests. The U.S. Department of Commerce, Bureau of Industry and Security (BIS) has primary responsibility, in coordination with several other agencies, for implementing U.S. export control policy on dual-use commodities, software, and technology. Items categorized as "dual-use" have both commercial and military or proliferation applications. Such items, subject to U.S. Department of Commerce regulatory jurisdiction, have chiefly commercial uses, but nonetheless could have an application in conventional arms or weapons of mass destruction, or can be used in terrorist activities or human rights abuses. To ensure adequate control of dual use items, BIS administers, and amends as necessary, the

Export Administration Regulations (EAR), which set forth license requirements and policy for these items.

The Department of the Treasury's Office of Foreign Assets Control (OFAC) has licensing jurisdiction over the export of goods, technology, and software in some sanctions programs, including sanctions programs against Iran and Sudan. OFAC also prohibits the unauthorized export of services from the United States or by U.S. persons to Iran, Sudan, Syria, and Cuba. OFAC also freezes the assets of, and prohibits dealings with, persons whose property and interests in property are blocked pursuant to over twenty OFAC-administered sanctions programs. OFAC's authority to administer and enforce sanctions programs comes from, inter-alia, executive orders issued pursuant to the International Emergency Economic Powers Act.

The U.S. export control system is in the process of being revised and streamlined to result in a single control list, a single licensing agency, a single primary enforcement coordinating agency, and a single IT system. The Obama Administration has determined that fundamental reform of the current system is necessary to enhance U.S. national security by:

--Focusing resources on the threats that matter most

--Increasing interoperability with our Allies

--Strengthening the U.S. defense industrial base by reducing incentives for foreign manufacturers to "design out" and avoid using U.S. parts and components.

To follow developments on the reform initiative, visit <http://www.export.gov/ecr>.

The following list includes most of the regulatory bodies responsible for ensuring compliance with U.S. export controls:

- [Department of Commerce, Bureau of Industry and Security](#)
- [Department of State, Directorate of Defense Trade Controls \(DTC\)](#)
- [Department of the Treasury, Office of Foreign Assets Control \(OFAC\)](#)
- [Nuclear Regulatory Commission, Office of International Programs](#)
- [Department of Energy, Office of Fuels Programs](#)
- [Defense Threat Reduction Agency - Technology Security](#)
- [Drug Enforcement Administration, International Drug & Chemical Control](#)
- [Food and Drug Administration, Office of Compliance](#)
- [Food and Drug Administration, Import/Export](#)
- [Patent and Trademark Office, Licensing and Review](#)

- [Environmental Protection Agency, Office of Solid Waste, International and Special Projects Branch](#)

## Temporary Entry

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Oman has no general provisions for the temporary entry of goods. In the case of auto re-exports, a company or individual may have the duties refunded if the vehicles are re-exported within six months.

## Labeling and Marking Requirements

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GCC labeling standards of imported goods is a key issue facing U.S. exporters. Food labels must include product and brand names, production and expiration dates, country of origin, name and address of the manufacturer, net weight in metric units, and a list of ingredients in descending order of importance. All fats and oils (including gelatins) used as ingredients must be specifically identified on the label. Labels must be in Arabic only or Arabic/English. Arabic stickers are accepted and are commonly used by U.S. exporters to Oman.

Oman enforces GCC Shelf Standards GS 150/1993, Part I, which affects 44 food products. The manufacturer-established shelf life is accepted for other food products. The manufacturer must print production and expiry dates on the original label or container; dates cannot be added to the package via a sticker. Many U.S. firms consider Omani shelf-life limits more restrictive than scientifically necessary. The U.S. supplier should work closely with the importer to ensure compliance with local shelf-life requirements.

Oman sometimes requires that for U.S. made goods to qualify for duty-free treatment under the FTA, each good and packaging must be individually engraved "Made in USA."

## Customs Contact Information

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POC: Supervisory Import Specialist Laura L. Webb

## Standards

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## Overview

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As part of the GCC Customs Union, Oman is working toward unifying its standards and conformity assessment systems with those of the GCC, through the Gulf Standards Organization (GSO). Most Omani standards are either GSO standards or those derived from another international standards organization. Oman is party to the Technical Barriers to Trade Agreement and is a member of the WTO. Further, the U.S.-Oman FTA contains a chapter addressing standards as barriers to trade and facilitates bilateral engagement on standards issues.

It should be noted that in general Oman enforces the GSO standards above its other obligations and that not all GCC standards are consistent with the obligations of the World Trade Organization's (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). In addition, as WTO Members, all six GCC Member States are required to notify proposed Sanitary/Phyto-sanitary (SPS) and technical barriers to trade (TBT) measures to the WTO SPS and TBT Committees and allow other WTO Members an opportunity to provide comments. GCC Member States do not consistently meet this requirement.

American businesspeople at times complain that European standards are often used in tender specifications, though Omani decision-makers are typically open to education on U.S. products.

Prohibitions on importation of goods such as live plants and retreaded tires are not always based on scientific safety and health standards.

### **Standards Organizations**

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The Omani body concerned with establishment and overview of standards is the Directorate General of Specifications and Measurements of the Ministry of Commerce and Industry, which can be reached at the following address:

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Director General of Specifications & Measurements  
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Phone: (+ 968) 24 813-418  
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E-mail : [dqsm123@omantel.net.om](mailto:dqsm123@omantel.net.om); [sms-9000@hotmail.com](mailto:sms-9000@hotmail.com)

The regional customs union standards body may be reached at the following address:

GCC Gulf Standardization Organization  
P.O. Box 85245  
Riyadh 11961  
Phone: (+ 966) 1 - 2746655  
E-mail: [gso@gso.org.sa](mailto:gso@gso.org.sa)

### **Conformity Assessment**

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A manufacturer declaration is required to assure conformity to Omani/GCC standards. In cases of nonconformity to current standards or the need for consideration of other internationally recognized standards, a letter should be addressed to the Directorate General of Specifications and Measurements at the Ministry of Commerce and Industry with authenticated results of laboratory testing.

The GSO is currently developing a conformity assessment scheme that could be adopted by each of the six GCC Member States. (Committee representatives have informed U.S. officials that the GCC intends for the scheme to be implemented in successive stages, beginning with toys in 2010.) The United States is working to establish a dialogue between U.S. and GCC technical experts to discuss the proposed GCC-wide conformity assessment scheme, with the goal of helping to ensure that it is developed, adopted, and applied in accordance with WTO rules and that it is fully transparent.

### **Product Certification**

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A product certificate is required to assure the product's conformity to international or Omani/GCC standards.

## Accreditation

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Any laboratory testing certificates relating to conformity to Omani or international standards should be submitted to the Directorate General of Specifications and Measurements, which is responsible for accrediting laboratories and classifying and assessing the results obtained.

## Publication of Technical Regulations

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The Directorate General of Specifications and Measurements supplies upon request a CD-ROM containing a listing of all standards and specifications adopted by the GSO, along with related information.

## Trade Agreements

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Upon entry into force of the FTA, Oman provided immediate duty-free access on virtually all industrial and consumer products in its tariff schedule, and will phase out tariffs on the remaining handful of products within the next few years. On agricultural products, Oman provided immediate duty-free access for U.S. agricultural products in 87% of agricultural tariff lines. The United States provided immediate duty-free access for 100% of Oman's current exports of agricultural products to the United States. Oman is also a member of the Gulf Cooperation Council, which allows for duty-free trade between its members and with other countries with which it has a free trade agreement. The GCC has Free Trade Agreements pending with Singapore (2009) and the EFTA (Iceland, Liechtenstein, Norway, and Switzerland) countries (2010).

## Web Resources

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Ministry of Commerce and Industry  
<http://www.MoCloman.gov.om>

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## 6. Investment Climate

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### **Openness to, and Restrictions Upon, Foreign Investment**

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Advantages of investing in Oman include:

- Oman's business-friendly environment, including the U.S.-Oman Free Trade Agreement; a modern business law framework; respect for free markets, contract sanctity, and property rights; relatively low taxes; and a one-stop-shop at the Ministry of Commerce and Industry for business registration;
- The educated, and largely bilingual Omani work force;
- The excellent quality of life: Oman is a safe, modern, friendly, and scenic country, with outstanding international schools, widely-available consumer goods, modern infrastructure, and a convenient and growing transportation network;
- Oman's geographic location, just outside the Persian Gulf and the Strait of Hormuz, along busy shipping lanes carrying a significant share of the world's maritime commercial traffic, with convenient access and connections to the Gulf, Africa, and the subcontinent; and,
- The steady and ambitious investment by the Government of Oman in the country's infrastructure, including free zones, seaports, airports, rail, and roads, as well as in its health care and educational systems and facilities.

Oman actively seeks foreign investment and is in the process of improving the framework to encourage such investments. Oman promotes higher education, manufacturing, healthcare, aquaculture, renewable energy, ICT, and tourism as areas for investment. Investors transferring technology, developing management expertise, and providing training for Omanis are particularly welcome. The Public Authority for Investment Promotion and Export Development (PAIPED, formerly OCIPED) is tasked with attracting foreign investors and smoothing the path for business formation and private sector development. PAIPED also provides prospective foreign investors with information on government regulations, which are not always transparent and sometimes inconsistent. Although the Ministry of Commerce and Industry (MOCI) has established a 'One-Stop Shop' for government clearances, the approval process for establishing a business can be slow, particularly with respect to labor requirements for expatriate labor. In 2011, Oman experienced nationwide protests associated with the "Arab Spring," which many observers attributed to youth demands for greater economic opportunity and transparency. With more than 50 percent of the roughly 3m population under 20, there is a national imperative to address the disparity between limited employment opportunities and the demographic "youth bulge". The Government of Oman (GoO) responded swiftly, decreeing the creation of 50,000 new jobs annually, the majority in the public defense and security sector, and raising the private sector minimum wage to RO 200 (\$520) per month. The minimum wage does not apply to third country nationals, and there were reports of companies switching to contract employment of foreigners to avoid mandates associated with Omani citizens. By the end of 2011, there was approximately a 2 percent drop in the private sector workforce as Omani citizens opted for the newly created positions in the public sector, which are perceived as being more secure and comfortable and offer higher average wages. (In 2010, for example, the average private sector worker grossed \$4,692 while the public sector counterpart earned \$19,812.) According to the Public Authority for Social Insurance, at the end of October 2012 83 percent of the private sector workforce earned less than RO 400 (USD 1040) per month, and 40 percent earned below the \$520 minimum wage.

In response to protester demands, the GoO managed to finance significant increases in social subsidies (scholarships, wage supports, housing allowances,) thanks to prevailing high oil prices, averaging \$102 per barrel in 2011, and still enjoy a budget surplus of \$2.2bn at the end of 2011. In 2012, the GoO announced a \$26bn budget (a 9 percent increase in spending) with robust increases in education, health, public employment, and social spending. The 2013 budget follows this trend, with a 16 percent increase in social security and welfare payments, paired with a 16 percent increase for education, 32 percent increase for health, and 45 percent increase for housing. The budgeted oil reference price in 2011 was \$75 (up from the previous \$58 reference price), increased again to \$85 for the 2013 budget, but if current global trends continue to keep oil close to \$100 per barrel the GoO should have no problem paying for the new benefits and maintaining a budget surplus.

With the implementation of the U.S.-Oman Free Trade Agreement (FTA) on January 1, 2009, U.S. firms may establish and fully own a business in Oman without a local partner. U.S.-Oman FTA commitments have increased opportunities for U.S. financial

service providers, as well as cross-border service providers in the areas of communications, express delivery, computer-related technologies, health care, and distribution, among others. Other (i.e., non-U.S.) majority foreign-owned entrants are barred from most professional service areas, including engineering, architecture, law, and accountancy. There are some exceptions for international consultancies, though requirements are strict. For example, non-American engineering consultancies must be 35 percent owned by an Omani who is currently practicing in the specialized field with a relevant degree and the foreign partner is required to possess a minimum of ten years' experience in the field before MOCI will approve a license. Although U.S. investors are provided national treatment in most sectors, Oman has an exception in the FTA for legal services, limiting U.S.-ownership in a legal services firm to no more than 70 percent. In addition, Oman has limited foreign lawyers to practicing in appeals courts, with the goal of phasing them out entirely in the court system; many expatriates continue to work as corporate lawyers and advisors however. In 2011, Oman also began to enforce a new directive limiting customs clearing and forwarding activities to Omani and GCC citizens. Oman has not historically had a provision in its commercial legal framework for the establishment of a foreign-owned branch except for the purpose of responding to a government tender; discussions on how to register American branches outside of the widely used LLC format are ongoing.

The Foreign Capital Investment Law (Royal Decree No. 102/94) provides the legal framework for non-U.S. and non-GCC foreign investors. Oman amended this law in 2000 as part of its WTO accession and in 2009 to implement the U.S.-Oman Free Trade Agreement. For most investments (apart from those covered by the FTA) the law requires that there be at least 35 percent Omani ownership. There are exceptions; notably wholly foreign-owned branches of foreign banks are allowed to enter the market. Non-American investors may also obtain approval by the Ministerial Cabinet to allow a 100 percent foreign-owned business entity if the investment is in the national interest.

Aside from ensuring that the investor satisfies the legal requirements for entry into the market, Oman does not screen foreign investment. If a concern were raised regarding a particular investor's entry into the market, the MOCI would be the government body tasked with reviewing the proposed investor. Investments are not screened for competition considerations, and Oman does not have an active competition commission.

Oman has privatized some parastatal corporations and is in the process of privatizing others, but maintains government dominance in several sectors. In 2011 the government amended legislation to allow for public-private partnerships in government hospitals and clinics, paving the way for significant private investment in planned "medical cities" in Salalah and Muscat. Foreign investors are allowed to participate fully in privatization programs, even in drafting public-private partnership frameworks. The most successful privatization program to-date has been the electricity and desalination privatization program. The telecommunications sector has also been increasingly privatized.

Industrial establishments must be licensed by MOCI. In addition, a foreign firm interested in establishing a company in Oman must obtain relevant approvals from other ministries, such as the Ministry of Environment and Climate Affairs and organizations

such as the Oman Chamber of Commerce and Industry. Foreign workers must obtain work permits and residency permits from the Ministry of Manpower and the Royal Oman Police-Immigration. To speed the approval process, MOCI created a “One-Stop-Shop” where representatives from relevant ministries are present to receive inquiries, forms, and applications. However the authentication of foreign registration documents (Certificate of Incorporation, Articles of Association, Board resolution to participate in the new company, and Power of Attorney appointing one or more individuals to sign the constitutive contract) is a time-consuming process which has frustrated many investors.

Taxation: Oman has a flat corporate tax rate of 12 percent for all businesses; the first \$78,000 in profits is tax exempt. (This differs for oil and gas investors, whose taxes are negotiated in individual mining concession agreements.) Duty and tax exemptions are granted for renewable five year periods for investments in manufacturing, mining, agriculture, aquaculture, tourism, locally manufactured exports, education and healthcare. There are no taxes on personal income, sales, capital gains, or inheritance. There are a few municipality taxes on lease agreements, hotel and leisure facilities etc. Temporary consultancies that do not establish long enough in Oman to pay the annual corporate tax are subject to 10% withholding on royalties and other management or research fees. Foreign airlines and shipping companies are completely exempt from taxation based upon reciprocal treatment by foreign governments. Higher education institutes, private sector schools, training institutes, and private hospitals are also tax exempt. The free zones in Duqm, Salalah and Sohar offer renewable five year tax holidays. In 2012, the Secretariat General for Taxation at the Ministry of Finance established a Large Taxpayer Unit to increase focus on large taxpayers while improving their service.

Commercial law in Oman is continually evolving. Although the judicial process is slow, business contracts are generally enforced. According to the 2013 World Bank Ease of Doing Business Report, it takes an average of 598 days to enforce a business contract. However, the cost of enforcement is a smaller percentage of the claim, at 13.5 percent, lower than even OECD countries, which average 20 percent. Insolvency laws are nascent, at this time allowing only for complete dissolution rather than restructuring, and many businesses opt to simply shut their doors rather than go through the insolvency process, which can take up to four years. The U.S. Department of Commerce has provided comments to draft updates of Oman’s Commercial Companies Law and Capital Markets Law encouraging modernized bankruptcy legislation to allow for appropriate reorganization. Omani law currently provides for arrest and imprisonment in many bankruptcy cases. Oman recently adopted an e-Commerce law although it has yet to be tested in the court system. In 2012 the Public Authority for Consumer Protection and the Public Authority for Stores and Food Reserves implemented price controls on staple foods and consumer products to counter inflation, causing many companies to suffer losses.

The current process for registering a business in Oman is laid out in the Foreign Investment Law (promulgated by Royal Decree No. 102/94) as per below. The U.S. Department of Commerce is working with Oman’s Public Authority for Investment Promotion and Export Development (PAIPED) to update this law. Current requirements include:

1. Submit an application duly signed by at least three founders in case of Joint Stock Companies, and by at least two members in case of other types of Companies.
2. Submit a certificate from the Commercial Registration stating that no other Company is registered in Oman under the same proposed commercial name.
3. Prepare the Articles of Association/Incorporation of the proposed Company, according to its legal type.
4. If a proposed partner is a juristic person (corporate entity with legal standing), it must submit its Articles of Association and Certificate of Registration and Power of Attorney to its authorized Managers. In case of a non-Omani juristic person, also a brochure of the Company's major projects and last balance sheet (if any) are preferred to be submitted as well, duly attested (as well as the former) by the concerned authorities in the country where the head office of the Company is located and from the Embassy of Oman there.
5. Capital of the proposed Company should not be less than RO 150,000 (\$390,000).  
*(Note: US Companies subject to local requirement of RO 20,000 (USD 52,000) as per FTA national treatment provision.)*
6. Omani proportion in the Capital and share of profit should not be less than 35 percent.  
*(Note: US Companies exempted under FTA.)*
7. Activities and objects of the proposed Company should be limited within one specific field. No foreign participation is allowed in General Trade and Service ventures.
8. The non-Omani partner other than citizens of Gulf Cooperation Council (GCC) States in the proposed Company must be a Juristic Person having an experience of not less than 5 years in the same field of the activity required.
9. Written approvals must be obtained from the appropriate government departments concerned with the proposed activities.
10. When the establishment of the Company is approved, the necessary financial recommendations are to be forwarded and steps for registering with the Commercial Registry are to be taken.

Oman's International Rankings:

2011 Transparency International Perceptions of Corruption Index: 39 out of 180 4.8/10\*

2011 Heritage Foundation Index of Economic Freedom: 68.1/100\*\*

2012 World Bank Ease of Doing Business Indicator: 47 /183 countries

\*0: "Highly Corrupt"-10: "Very Clean" \*\*100: "Maximum Economic Freedom"

In its “Doing Business 2013” report, released on October 23, the World Bank assessed a total of 185 economies, with Oman maintaining its rank at 47<sup>th</sup>, placing well above the Middle East and North Africa (MENA) average of 98, and fifth among all Arab states. In terms of starting a business, Oman regressed six places, though this has more to do with the fact that other countries have implemented reforms, making it easier to launch an enterprise, rather than the Sultanate making it more difficult. Indeed, over the past six years, Oman has reduced the number of steps necessary to start a business from 10 to 5, while the number of days required to complete the necessary procedures has fallen from 35 to 8. One area where Oman recorded a solid advance was in the ease of obtaining credit, climbing 14 rungs on the ladder to 83<sup>rd</sup>. This is a reflection of strong capitalization of local banks and low interest rates set by the Central Bank of Oman. The reserve’s policy of keeping rates around 1 percent has encouraged commercial banks to ease their own lending criteria, which in turn has had a positive flow into the private sector.

Oman also maintained its position as the 32<sup>nd</sup> most competitive country in the 2012/13 World Economic Forum’s Global Competitiveness Index, a measure of the economies of 144 countries. This ranking places Oman in the top 25 percentile of the world’s economies and ranks it above economic powerhouses including India, South Africa, Italy and Turkey.

Oman is ranked the fifth freest country in the Middle East and North Africa (MENA) region and 45<sup>th</sup> in the world in the 2013 Index of Economic Freedom. The report states: “The rule of law has been relatively well maintained. The legal system facilitates transfers of property rights, which are well protected. The threat of expropriation is low.”

## **Conversion and Transfer Policies**

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Oman does not have restrictions or reporting requirements on private capital movements into or out of the country. There are no plans to change remittance policies. Oman does not restrict the remittance abroad of equity or debt capital, interest, dividends, branch profits, royalties, management and service fees, and personal savings. The Omani Rial is pegged at a rate of RO 0.3849 to the U.S. dollar, and there is no difficulty in obtaining exchange. The government has consistently, firmly, and publicly stated that it is committed to maintaining the current peg. The GoO has stated firmly it will not join the proposed GCC common currency. There is no delay in remitting investment returns or limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains returns on intellectual property, or imported inputs. Investors can remit through legal parallel markets utilizing convertible, negotiable instruments. There are no surrender requirements for profits earned overseas.

The Central Bank of Oman (CBO) regulates local banks on all lending practices to individuals and corporations inside the Sultanate. In May 2011, Oman approved the introduction of Islamic banking to the Sultanate. Regulations governing the new sector were issued by CBO in late 2012. Omani financial institutions, controlled by a strong and effective regulatory system, are well-capitalized, have low non-performing loan ratios, and tend to report attractive profits. Individuals have to be resident in Oman or have an investor visa to open a bank account and transfer funds. For foreign bank transfers, Omani banks require complete documentation of the source of funds before approving the transaction.

## Expropriation and Compensation

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Oman's interest in increased foreign investment and technology transfer make expropriation or nationalization unlikely, although there have been sporadic reports of these in the past several years. In the event that a property must be nationalized, e.g., for a public building, Article 11 of the Basic Law of the State stipulates that the Government of Oman must provide prompt and fair compensation. There are no recent examples of expropriations, although on December 8, 2011 the first trade dispute under the U.S.-Oman FTA was submitted to formal arbitration at the World Bank's International Center for Settlement of Investment Disputes. The complainant filed an initial intent to arbitrate on April 4, 2011, claiming expropriation of his multi-million dollar investment in a mining operation by the Oman Mining Company after he was arrested for allegedly mining without necessary permits. The matter is ongoing. (Under the U.S.-Oman Free Trade Agreement, Oman must follow international standards for expropriation and compensation cases, including access to international arbitration.) In practice, Oman compensates for any expropriations it makes, although at times the compensation can be incrementally paid. There are no laws forcing local ownership in any sector, though land ownership is limited to Omani and GCC nationals outside of special Integrated Tourism Complexes set aside for foreign residency. (The U.S.-Oman FTA excludes land ownership.)

## Dispute Settlement

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Oman is a party to the International Convention for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) and the UN New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Oman's legal framework provides for the enforcement of international arbitration awards and most foreign companies elect for dispute resolution by arbitration. Arbitration is generally cheaper, quicker and easier than settling commercial disputes in the normal court system, where judges often lack expertise on technical commercial issues. Business disputes within Oman are resolved through the Commercial Court. The Commercial Court has jurisdiction over most tax and labor cases, and can issue orders of enforcement of decisions. The Commercial Court can also accept cases against governmental bodies; however, the Court can only issue, and not enforce, rulings against the government. If the value of the case is less than \$26,000, the Commercial Court's decision is final. If the value exceeds \$26,000, the case is taken up by a Court of Appeal. Parties may appeal their case to the Supreme Court. Cases can only be reopened after judgment if new documents are discovered or irregularities (e.g., forgery, perjury) are found. There is no provision for the publication of decisions, apart from arbitrations carried out under the U.S.-Oman FTA, and the decisions do not carry precedent. U.S. firms should note that the Commercial Court is relatively new, replacing the Authority for Settlement of Commercial Disputes, and many practical details regarding the new Court have yet to be finalized.

Oman has written and consistently applied commercial and bankruptcy laws, though the U.S. Department of Commerce is providing expertise to help the GoO update them. According to the World Bank, it takes on average four years to resolve bankruptcy and investors can expect to recover 36.6 cents on their dollar. However, the expense of resolving bankruptcy is significantly lower in Oman than the region. Would-be investors

should note that Omani law (Royal Decree 55/1990) provides for civil arrest and imprisonment in many bankruptcy cases.

Oman maintains other judicial bodies to adjudicate various disputes. The Labor Welfare Board under the Ministry of Manpower hears disputes regarding severance pay, wages, benefits, etc. The Real Estate Committee hears tenant-landlord disputes, the Police Committee deals with traffic matters, and the Magistrate Court handles misdemeanors and criminal matters. All litigation and hearings are conducted in Arabic. Binding international arbitration of investment disputes between foreign investors and the Omani government is recognized. Omani courts recognize and enforce foreign arbitral awards, and international arbitration is accepted as a means to settle investment disputes between private parties.

The Oman Chamber of Commerce and Industry has an arbitration committee to which parties to a dispute may refer their case when the amounts in question are small. Local authorities, including 'walis' (district governors appointed by the central government), also handle minor disputes. Although Oman is a member of the GCC Arbitration Center, located in Bahrain, the Center is not yet firmly established and is not widely used. The Bahrain Center for Dispute Resolution, a member of the American Arbitration Association (AAA) in New York, is very active in the region.

In 2011, a U.S. investor brought the first investment dispute case against the GoO for arbitration under the FTA and proceedings are ongoing.

## Performance Requirements and Incentives

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Oman is subject to trade related investment measures (TRIMs) obligations. At this time, there are no allegations that Oman maintains any measures that violate the WTO TRIM text.

Oman offers several incentives to attract foreign investors. These include:

- A five-year tax holiday, renewable once for an additional five years;
- Subsidized plant facilities and utilities at industrial estates;
- Exemption from customs duties on equipment and raw materials during the first ten years of a project, with packaging materials exempted for five years;
- English as an accepted *lingua franca* for business contracts and operations;
- A low corporate tax rate, capped at 12 percent; and
- No personal income or capital gains tax.

Firms involved in agriculture and fishing, industry, education and training, healthcare, mining, export manufacturing, tourism, and public utilities are eligible for the renewable 5-year tax holiday and exemption from duties on capital goods and raw materials. Under

the Industry Organization and Encouragement Law of 1978, incentives are available to licensed industrial installations on the recommendation of the Industrial Development Committee. "Industrial installations" include not only those for the conversion of raw materials and semi-finished parts into manufactured products, but also mechanized assembly and packaging operations.

Omani and American-owned commercial enterprises, and foreign industrial producers in joint venture with local firms that produce goods locally, need to meet standard quality specifications. The government offers subsidies to offset the cost of feasibility and other studies if the proposed project is considered sufficiently important to the national economy. Only in the most general sense of business plan objectives does proprietary information have to be provided to qualify for incentives.

Foreign investors generally do not need to purchase from local sources or export a certain percentage of output, though the Ministry of Oil and Gas and state oil company Petroleum Development Oman have been implementing an In Country Value program since 2012 to incorporate metrics for local supply into contract evaluations. Foreign investors have access to local and foreign exchange for export finance. Offsets on civilian government procurements are rare, and are generally limited to procurements by the Ministry of Defense, Royal Oman Police, or Ministry of the Royal Office. U.S. and foreign firms are able to participate in government financed/subsidized research programs on a national treatment basis, and are at times solicited. Foreign firms operating in Oman, including U.S. companies, must meet "Omanization" requirements, which require businesses to employ a percentage of Omani citizens as determined by the Ministry of Manpower. In 2013 the Sultan called for enforcement of a provision of the Tender Law requiring at least 10% of any project to be subcontracted locally, in order to boost local content and SME development.

A full list of incentives is laid out in the Foreign Investment Law as follows:

1. Interest-free loans by Government under Royal Decree No. 83/80 concerning the financial support to the private sector in agriculture, fisheries, industry, mining and quarrying and Royal Decree No. 40/87 of the financial support to the private sector in Industry and Tourism.
2. Low interest loans to industrial firms from the Oman Development Bank.
3. Exemption from customs duties on imports of equipment and raw materials required for production purposes. *(Note: this has been legally challenged by foreign competitors.)*
4. Tariff protection through imposition or increase of customs duties on imported goods similar to local products or to prohibit or restrict their importation, taking into consideration the quality and quantity of local production and the interest of the consumer. The list of products currently under protection includes some types of pipes, cement, cement-products, paints, polyurethane products, corrugated cartons, vegetable oil, detergents and chain-link fencing. *(Note: Some of this support is currently being challenged by foreign competitors under WTO rules.)*
5. Exemption from corporate tax for a period of five years which can be renewed for another period of five years starting from the date of permission of registration of production commencement.
6. Planned and serviced industrial plots for setting up factories.
7. Recommendation to the Ministry of Electricity and Water for the reduction of utility charges for industrial purposes for those industries fulfilling the conditions for reduction.

8. Survey of industrial investment opportunities and preparation of feasibility studies important to national economy.

To help ensure that Omani companies maintain a solid financial position and are able to withstand shocks to their businesses, the Commercial Companies Law contemplates various types of legal reserve funds for companies. The law requires that every Omani company, and hence American company, whether a joint-stock company or a limited liability company, must set aside 10% of its net profit after taxes each financial year, as a 'legal reserve' fund for the company, until the amounts held in the legal reserve reach one-third of the company's capital. Omani companies are explicitly barred by the Commercial Companies Law from using the funds held in their legal reserve to pay dividends or other distributions to their shareholders. The legal reserve is required to be held by the company as a buffer against unusual or unexpected adverse shocks to the company's business, such as a sudden increase in the company's operational costs.

#### **Right to Private Ownership and Establishment**

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Oman's commercial companies law requires that all actions by private entities to establish, acquire, and dispose of interests in business enterprises be announced in the commercial register, and are subject to the approval of MOCI. Foreign and domestic firms can engage in most commercial activities after obtaining a business license from the MOCI.

#### **Protection of Property Rights**

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Securitized interests in property, both moveable and real, are recognized and enforced in Oman. Foreign nationals are able to obtain mortgages on land in designated Integrated Tourism Complexes. Individuals record their interest in property with the Land Registry at the Ministry of Housing. The legal system, in general, facilitates the acquisition and disposition of property rights.

Oman is a member of the World Intellectual Property Organization (WIPO) and is registered as a signatory to the Madrid, Paris and Berne conventions on trademarks and intellectual property protection. Oman has also signed the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Oman is also a signatory to the International Convention for the Protection of New Varieties of Plants. Trademark laws in Oman are Trade Related aspects of Intellectual Property Rights (TRIPs) compliant. Trademarks are valid for ten years while patents are generally protected for twenty years. As "literary works", software and audiovisual content is protected for fifty years.

#### **Transparency of Regulatory System**

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Because commercial registration and licensing decisions often require the approval of multiple ministries, the government decision-making process can be tedious and may be perceived as non-transparent. Obtaining licenses for some business activities, particularly labor certifications, can be time consuming and complicated for foreign companies, as the various ministries from which licensure is required do not widely

disseminate their policies, quotas, and regulations. In 2011, 2012, and 2013 U.S. investors complained about delays in receiving approvals for new mining exploration licenses. The Ministry of Commerce and Industry (MOCI) has imposed a moratorium on new licenses throughout this period; the freeze was due to speculation of mining plots. Investors complain the MOCI should separate permitting for simple quarrying activities, the majority of applications, from large scale mineral concessions involving millions of dollars of capital expenditure. They claim bureaucracy in the licensing and environmental permitting process is deterring investment at a time of high commodity prices.

Oman's labor laws, which require minimum quotas of Omani employees depending on the type of work, form another potential impediment to foreign investment. The government's Omanization effort has been the subject of criticism in the Omani private sector, which sees it as harmful to productivity and restrictive of firms' hiring and firing policies. U.S. companies are not exempt from Omanization requirements under the FTA. Omanization requirements increased after "Arab Spring" protests in 2011, and included an obligation to provide a minimum wage and more training programs for Omani employees.

The government occasionally publishes proposed laws and regulations for public comment, particularly laws that may affect the private sector. However, the Oman Chamber of Commerce and Industry complained that new mandates in the revised labor law were imposed with no consultation or grace period, e.g., two major wage hikes in 2012 and 2013. There has been a move in recent years towards greater transparency in telecommunications, securities, and corporate governance of publicly traded companies. The Telecom industry is regulated by the Telecommunications Regulatory Authority (TRA). The TRA oversees the process of liberalization and privatization of the telecommunications sector. In order to meet Oman's FTA commitments, the TRA has issued new procedures for businesses to qualify for Class I licenses and has submitted for public comment its proposal to issue Class II licenses.

Oman has also improved the transparency of its securities markets and publicly traded companies largely through the work of the Capital Markets Authority (CMA), the regulatory body for such areas. The CMA requires all public companies to comply with a set of standards for disclosure. Under the requirements, holding companies must publish the accounts of their subsidiaries with the parent companies' accounts. Companies must fully disclose their investment portfolios, including details of the purchase cost and current market prices for investment holdings. The new initiatives also require publication of these financial statements in the local press. At the same time, the Central Bank has introduced new rules to limit the level of "related party transactions" (financial transactions involving families or subsidiary companies belonging to major shareholders or board members) in Oman's commercial banks. The new rules will help increase transparency in financial transactions in local banks and the Muscat Securities Market (MSM), and will help clarify the activities of publicly-traded companies. The CMA has also moved to shorten the time period companies have to file their financial statements after the close of the fiscal year from three months to two, shorten the time period in which companies have to hold their annual meeting after the

close of the fiscal year from four months to three, and require that an internal audit be completed for joint stock companies with capital of over five million RO (USD 13 million).

## **Efficient Capital Markets and Portfolio Investment**

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There are no restrictions in Oman on the flow of capital and the repatriation of profits. Foreigners may invest in the Muscat Securities Market (MSM) so long as they do so through an authorized broker. Access to Oman's limited commercial credit resources is open to Omani firms with some foreign participation. At this time, there is not sufficient liquidity in the market to allow for the entry and exit of sizeable amounts of capital. Joint stock companies with capital in excess of \$5.2 million must be listed on the MSM. According to the recently amended Commercial Companies Law, companies must have been in existence for at least two years before being floated for public trading. Private, publicly traded firms in Oman are still a relatively new phenomenon. (The Muscat Securities Market was founded in 1988.) Publicly traded firms remain a minority of businesses, the majority remaining family enterprises. The banking system is sound and well-capitalized with low levels of non-performing loans and generally high profits. Banks' portfolios are dominated by personal loans, perceived as safe as they are typically drawn directly from borrowers' government salaries. The government finances most infrastructure projects. As a surplus nation enjoying high prices on oil exports, the GoO issues few bonds, and private investment and pension funds typically invest in real estate, manufacturing, and limited projects outside the country.

Oman has two sovereign wealth funds; the General Reserve Fund of the Sultanate of Oman, and the Oman Investment Fund. The majority of the Funds' assets are invested abroad, although their dealings are opaque. Omani sovereign wealth funds are not required by law to publish an annual report or submit their books for an independent audit.

## **Competition from State-Owned Enterprises**

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As part of its "Vision 2020", Oman has been a regional leader in the privatization of utilities, especially power, water and waste management. In general, private enterprises are allowed to compete with public enterprises under the same terms and conditions with access to markets, and other business operations, such as licenses and supplies. Public enterprises, however, have comparatively better access to credit. State-Owned Enterprises (SOEs) are active in a variety of fields, namely utilities, telecommunications, the national airline, and food production. Board membership of SOEs is composed of various government officials, with a senior official, usually cabinet-level, serving as chairperson.

On November 15, 2011, the U.S. Department of Commerce initiated antidumping (AD) and countervailing duty (CVD) investigations of circular welded carbon-quality steel pipe (steel pipe) imported from Oman. On December 9, 2011, the U.S. International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of steel pipe from Oman that are allegedly sold in the United States at less than fair value and subsidized by the Government of Oman. Commerce eventually found on November 14, 2012 that injury to domestic industry was not sufficient to warrant continuing the case. In 2010, imports of steel pipe from Oman were valued at an estimated \$24.2 million.

## **Corporate Social Responsibility**

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There is a general awareness of corporate social responsibility (CSR) among businesses in Oman. Several companies routinely host competitions in elementary and secondary schools for academic performance and artistic skill; many sponsor charitable, academic and social events. The larger Omani firms have CSR policies; however, most of Oman's smaller enterprises do not knowingly follow CSR principles such as the OECD Guidelines for Multinational Enterprises. Foreign companies operating in Oman, however, are generally OECD compliant. Firms that pursue CSR, especially in the areas of entrepreneurship and SME development, are viewed favorably.

## **Political Violence**

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Politically motivated violence is rare in Oman. Some incidents of violence were associated with Arab Spring-related demonstrations in 2011, although most protests were peaceful. The government allows peaceful demonstrations to occur, and there were a few related to religion, worker rights, and unemployment in 2012 and 2013.

## **Corruption**

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Most major contracts are awarded through a slow and rigorous tender process governed by Oman's Tender Board. Pursuant to the U.S.-Oman FTA, Oman advertises most tenders in the local press, international periodicals, and on the Tender Board's website, although a few sensitive projects are not publicized and not subject to FTA obligations. Also, bidders are now requested to be present at the opening of bids, and interested parties may view the process on the Tender Board's website. Disputes arising from the tendering process are reviewed domestically.

Ministers are not allowed to hold offices in public shareholding companies or serve as chairperson of a closely held company. However, many influential figures in government maintain private business interests and some are also involved in private-public projects. These activities either create or have the potential to create conflicts of interest. In 2011, the Tender Law was updated to preclude Tender Board officials from adjudicating projects involving interested relatives to "the second degree of kinship".

Sultan Qaboos has dismissed several ministers and senior government officials for corruption during his reign. In one of Oman's biggest corruption scandals in several years, over 30 government and private sector employees, including the Under Secretary of the Ministry of Housing, Electricity, and Water, were convicted in October 2005 on counts of bribery and forgery, among others. There was also a major reshuffle after the protests in early 2011 and the State Audit Institution, renamed the "State Financial and Administrative Audit Institution" was granted expanded powers under Royal Decree 27/2011. The institution's mandates now encompass the following:

- to secure public funds, provide a framework for efficient management of such funds, and ensure their efficient and optimal utilization;

- to detect financial and administrative irregularities and identify inherent deficiencies in the relevant financial and administrative laws;
- to identify the causes of, and assign responsibility for, any deficient performances; and
- to ensure transparency in financial and administrative transactions, and make recommendations for the avoidance of conflict of interests and for the prevention of financial and/or administrative irregularities.

In 2012, 30 cases involving financial irregularities and misuse of influence in awarding of government contracts were referred to the Public Prosecutor by the State Financial and Administrative Audit Institution. SFAAI Chairman Shaikh Nasser bin Hilal al Ma'awali said May 27, 2013 that the number of entities under its auditing so far has reached 160 government units, with 25 percent audited in 2011 and plans to reach 80 percent by 2015.

In 2012, the Government announced that public sector employees would be subject to financial disclosure requirements and barred lawyers and manpower recruiters from simultaneously holding government jobs. Oman has not yet signed the UN Convention against Corruption, though it is an observer and the government has set up a committee to consider and prepare for membership.

#### **Bilateral Investment Agreements**

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Oman is a member of the Gulf Cooperation Council, which is in the process of finalizing Free Trade Agreements with the European Union, Malaysia, and Singapore. While enjoying a Free Trade Agreement, Oman does not have a bilateral taxation treaty with the U.S. Omani tax authorities may allow relief for foreign taxes paid and the U.S. typically credits U.S. companies for corporate tax paid overseas. Oman has signed double taxation treaties with many countries including: Algeria, Belarus, Belgium, Brunei, Canada, China, Croatia, Egypt, France, India, Iran, Italy, Mauritius, Morocco, Moldova, Netherlands, Pakistan, Russia, Seychelles, Singapore, South Africa, South Korea, Sudan, Syria, Tanzania, Thailand, Turkey, Tunisia, the United Kingdom, Uzbekistan, Vietnam and Yemen.

#### **OPIC and Other Investment Insurance Programs**

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Oman is eligible for Export-Import Bank of the United States (EXIM) financing as well as Overseas Private Investment Corporation (OPIC) insurance coverage. Unusual for a Gulf country, Oman provides export credit insurance against commercial and political risk, through the Oman Development Bank, as well as the independent Export Credit Guarantee Agency of Oman, a closed stock company which has helped facilitate the dramatic rise in non-oil exports to over 100 countries over the last 20 years through extending credit insurance, guarantees and financial support to Omani exporters. The U.S. Embassy in Muscat purchases local currency at the fixed rate of 1 Omani Rial to USD 2.6. Due to the likelihood of continuing high oil prices, there is very little risk of devaluation or depreciation of the Omani rial in the next year.

Oman's 2003 Labor Law governs employee/employer relations in the private sector, and enumerates the protections afforded all legally resident workers. The law sets the minimum working age at 15, provides clear guidelines on working hours, and specifies the penalties for noncompliance with its provisions. Work rules must be approved by the Ministry of Manpower and posted conspicuously in the work place. The labor law and subsequent regulations also detail requirements for occupational safety and access to medical treatment. Working conditions in Oman for many blue-collar expatriate workers are difficult, due to low wages, hot weather conditions, long hours, and social isolation. Expatriates, mainly from Western countries, fill many managerial positions. In large part to qualify for eligibility for the FTA, Oman in 2006 made significant amendments to the 2003 Labor Law. The amendments and associated Ministerial Decisions allow for more than one union per firm, require employers to engage in collective bargaining over terms and conditions of employment, and specify guidelines for conducting strikes. The amendments also prohibit employers from firing or otherwise penalizing workers for engaging in union activity, and increase the penalties for hiring underage workers or engaging in forced labor. As a result, about 100 unions were registered, covering both Omanis and expatriates.

While unions appear to be making strides in their advocacy efforts for workers, management in the major industrial free zones in Sohar and Salalah remains frustrated with ambiguity in the labor law. For example, business leaders in Salalah noted in 2012 that the labor code was written for traditional retail and office jobs. The industrial jobs that dominate in Salalah require different (and technically illegal) hours and schedules, leaving these workers in a legal limbo, without clear coverage by the law. In any case, unions report that workers are satisfied and have even sent away Ministry of Manpower inspectors. Management also noted that workers ask for concessions and privileges given to the public sector (housing allowances, free loans, and generous pensions, for example). (Note: Oman's labor law provides for unions only in the private sector.) Management in Sohar and Salalah expressed additional concerns about the labor law's lack of clarity on a number of issues. The labor law was first published in 1973 and updated only intermittently, without explanation or clarifications. For example, there is no specificity in the law regarding what an employer must pay to an employee who is injured in a workplace accident that is his own fault. Management believes that they should not be held responsible for such accidents, while the law seems to hold that in any accident, no matter how negligent the employee, the employer is to blame. Another contentious example surrounds bonuses; the law suggests that bonuses must be paid every year, regardless of the company's profit margins. Management argues that companies without a profit should not be forced to pay bonuses.

Oman is a member of the ILO. Oman has ratified four of the eight core ILO standards, including those on forced labor, abolition of forced labor, minimum working age, and the worst forms of child labor. Oman has not ratified conventions related to freedom of association or collective bargaining, or the conventions related to the elimination of discrimination with respect to employment and occupation.

On March 31, 2013, the Ministry of Manpower (MoM) issued a decision amending some articles of the Labour Law in order to speed up negotiations between employees and employers and avoid work stoppage due to strikes. The amended law states that the period of negotiation should not exceed 30 days. When negotiations between employer and employees fail, the MoM's labor issues department will act within seven working days on a request from the disputing parties. MoM is forming committees to look into disputes and oversee negotiations. If parties do not reach a settlement within 15 days of the referral, the panel will meet the parties together in a bid to reach an amicable solution, but if the MoM fails to help the parties reach a settlement within 30 days of the referral, the matter will go to court.

On October 26, 2011, Sultan Qaboos issued Royal Decree No 113/2011 amending provisions in the Labor Law to provide increased protections and rights to the private sector workforce including shorter workweeks, fully paid maternity leave, and increases in overtime pay. The business sector has expressed concern about the increased costs of implementing many of these changes. The changes are expected to primarily affect only Omani citizen workers; expatriate workers are often hesitant to assert their rights out of concern that their employment contracts might be allowed to lapse, requiring them to leave Oman.

The most important changes to the Labor Law include:

- If the ownership of a project partially or wholly changes hands, the new owner must continue to employ the previous Omani workforce at their previous salaries;
- Direct deposit receipt is the only proof of payment of salary;
- 30 days annual paid leave (up from 15) after six months continuous work (down from one year) and six days paid emergency leave (up from four). A worker may not waive his or her leave;
- Overtime begins to accrue after 45 hours of work in one week (down from 48) or more than nine hours in one day;
- During Ramadan, Muslim workers shall not be required to work more than 30 hours a week (down from 36) or 6 hours a day;
- Overtime day work will be paid at 25 percent above the normal salary rate; night work at 50 percent, if such work is performed during the weekly rest day or during the official holidays the employee shall, unless compensated with another day during the subsequent week, be entitled to double salary for such day, unless he is granted another day in lieu thereof within the following week.;
- Every worker must receive two paid days of rest (up from 24 hours) after five continuous days of work;
- Women may not be required to work between the hours of nine p.m. to six a.m. (previously seven p.m. to seven a.m.) (*Note: This rule is subject to multiple exceptions as published by the Ministry of Manpower, such as health workers, transportation workers, and women working in certain petrochemical fields.*)
- Paid maternity leave of 50 days up to three times per woman per employer (up from 42 days of unpaid leave);

- Unlawfully discharged workers (as determined by the courts) will receive a minimum of three months of their gross wage and any severance pay to which they were due in the original work contract;
- New penalties for failure to adhere to Omanization rates.

The minimum wage for Omani citizens working in the private sector, including salary and benefits, was increased by Royal Decree in February 2011 from RO 120 (\$312) to RO 200 (\$520) per month. Omani employees must also receive a monthly RO10 (\$26) accommodation allowance and a RO10 transportation allowance. There is no minimum wage for non-Omanis. On January 30, 2012, the government of Oman issued Ministerial Decision 32/2012 requiring a yearly minimum increment of 3 percent for all employees with satisfactory performance who have been employed more than six months. This was in order to ensure wages keep up with inflation, but has been met with resistance to implementation among many companies. In August 2012, the Ministry of Manpower clarified that all employees, both Muslim and non-Muslim must receive a salary advance before Eid due to enhanced family holiday obligations.

In its annual compensation and benefits report for Oman, Hay Group noted that the average salary increase in 2012 was 3.9 per cent, down from the 2011 figure of 6.2 percent. The rise in salaries has predominantly taken the form of an increment on basic salary which rose 5.7 per cent, on average, rather than adding to allowances such as housing, transport and education. According to the report, Oman's oil and gas sector had the highest pay rises in the region, an average of 7 percent. Hays' Global Salary Guide stated Oman paid expatriate oil and gas sector workers about \$12,000 more in 2012, taking salaries to \$92,100, while locals in the petroleum industry were paid an average of \$72,600, up by \$4600.

On February 7, 2013, the Ministry of Manpower announced another rise in the national minimum wage for Omani workers, with the current rate of \$520 per month set to rise to \$845 as of July 1, 2013. In fact many companies were told to begin implementation right away for new hires, and the Oman Society of Contractors protested the move, calling for the government to reimburse unexpected increases in construction project costs. Many commentators believe this is an effort by the GoO to narrow the gap between private and public sector wages and encourage more Omanis to work in the private sector.

The remuneration of the directors of Omani joint stock companies is regulated by the Commercial Companies Law and the administrative decisions of the Capital Market Authority. The CCL has capped the annual remuneration of the chairman and directors including all allowances at RO 200,000. Further, in cases where companies do not make any profit or make a low profit that is not sufficient for allocating or distributing dividends to the shareholders, the annual remuneration is capped at RO 50,000. In respect of companies whose capital has eroded no remuneration is payable.

Participation in the Public Authority for Social Insurance (PASI) scheme is mandatory for all employers employing Omanis. Employees are covered for old age, disability, occupational and non-occupational injuries and death. The employer and employee are required to contribute 9.5 percent and 6.5 percent respectively of the basic salary to the

fund every month and every employer must pay a further 1 percent as security against occupational injuries and diseases. For foreign employees who are not beneficiaries of PASI, End of Service Benefits (EOSB) are calculated per the Labor Law. EOSB is computed as being equal to 15 days basic wages for each year in the first three years of service, and one month for each of the following years. The EOSB is calculated on the basis of the final basic salary. No EOSB is payable if the period of service is less than one year or the employee was dismissed without notice, e.g., for serious cause in accordance with the Labor Law.

#### Hiring and Firing:

The Labor Law provides for, but does not require, a three month probationary period, in which either party may terminate the contract with seven days notice. For indefinite contracts, employment may be terminated by either party with 30 days notice (waived if compensation equal to the salary for the notice period is paid instead).

Terminating a worker for non-performance is difficult but not impossible. Specific labor law advice needs to be taken in every instance as the facts of the scenario are all-important. A major issue is that the worker must sign to acknowledge receipt of legally required warning letters. If the worker refuses to sign, two Omani male witnesses should sign on a copy of the letter to state that they witnessed the worker's refusal. Article 30 of the Labor Law states that a worker cannot be accused of a violation after the expiry of 15 days from the discovery of the misdeed. The same provision also states that no disciplinary penalty shall be imposed on a worker after 30 days has elapsed from the date a violation is proven. The Courts will often rule against an employer based on a procedural breach of Article 30. Employers should also follow transparent disciplinary procedures registered in advance with the Ministry of Manpower, and ensure penalties are proportionate. The Ministry of Manpower has issued a template disciplinary procedure. Furthermore, Ministerial Decision 129/2005 sets out the maximum penalty allowed in respect of certain violations.

According to Article 40 of the Labour Law, an employer may dismiss the employee without prior notice and without end-of-service benefit in any of the following cases:

1. if he assumes a false identity, or if he resorts to forgery to obtain the employment;
2. if he commits a mistake which results in a material financial loss to the employer provided that the latter notifies the Ministry of Manpower of the incident within three days of the date of his knowledge of its occurrence;
3. if he, in spite of being notified in writing, does not comply with instructions the compliance with which is necessary for the safety of employees or the workplace, provided that such instructions shall be written and hung in a conspicuous place and the contravention of which is likely to cause grievous damage to the workplace or to the employees;

4. if he absents himself from his work for more than ten days without reasonable cause during one year or for more than seven consecutive days, provided that such dismissal shall be preceded by a written notice to him from the employer after his absence for five days in the former case;
5. if he discloses any secrets relating to the establishment in which he works;
6. if a final judgment is entered against him for an offence or felony for breach of honor or trust or for a felony committed in the workplace or during the course of his work;
7. if he is found during working hours in a state of drunkenness or was under the influence of an intoxicating drug or mental stimulus;
8. if he commits an assault on the employer, the responsible manager, or if he commits a grievous assault on any of his superiors in the course of the work, or if he assaults one of his colleagues in the workplace by hitting him which causes sickness or delay of the work for a period exceeding ten days; or
9. if he commits a grave breach of his obligations to perform his work as agreed upon in his contract of work.

The Supreme Court has held that it is a justified, fair dismissal if an expatriate employee is replaced with an Omani national. On certain occasions, the Omani courts have held that it is justified for a company to lay off workers if the company is suffering heavy losses. The courts will always want to see audited corporate financials in these situations.

The approach of the Omani Courts is to only allow one fixed term contract per worker. Subsequent contracts, even if stated to be fixed term contracts, will in fact be treated as contracts of unlimited duration. Hence, it is advisable to leverage internships and trainee programs to the fullest extent in order to ensure extensive screening of potential employees.

#### Omanization:

The government's Omanization initiative, a quota system mandating hiring of specified percentages of Omani citizens, is a high priority for the government. Approximately 50,000 young Omanis enter the workforce each year. Most of these new entries seek government employment, and Omanis make up 84 percent of the public sector's labor force. Only 18 percent of the private workforce is Omani. Organizations with more than 50 employees are expected to set aside the following "Omanized" positions for citizens: HR Manager, Security Officers, Secretarial / Administrative Clerks, Public Relations Officers, and Drivers.

Current Omanization rates for selected sectors are as follows:

- Information Technology
  - o Senior Management 9 percent
  - o Sales and Marketing 100 percent
  - o Technical Support and Infrastructure 15 percent
  - o Applications and Services Development 15 percent
  
- Consultancy Services
  - o Engineers 25percent
  - o Draftsman 70 percent
  - o Material Supervision 45 percent
  - o Land Survey 80 percent
  - o Accountants 60 percent
  - o Administrative Posts 90 percent
  
- Oil & Gas 82-90 percent
- Telecom 54-80 percent
- Finance and Insurance Sector 45- 90 percent

As part of a package of incentives for foreign investors, Oman's Free Zones allow for lower Omanization rates. Pressure to meet Omanization goals significantly increased as a result of protests in early 2011. The Ministry of Manpower will not issue a labor clearance for companies that fail to hire qualified Omanis to meet the labor targets. If qualified Omanis are not available, the Ministry may issue labor clearances pending future availability of qualified Omanis to fill such positions. The Ministry also assists companies in training Omanis for high-demand positions if the companies agree to hire them once trained. Under the U.S.-Oman FTA, U.S. companies are subject to Omanization targets, with some exceptions for managers, board members, and specialty personnel. Private companies have expressed concerns about the work ethic of Omanis compared with expatriate staff, as well as absenteeism of local workers who are harder to dismiss because of the protections they enjoy under local employment laws. However the Ministry of Manpower is authorized to impose fines for companies that don't achieve targets. These fines can reach up to 50 percent of the average of total non-Omani salaries making up the difference between target and actual Omanization rates, though they are rarely enforced if the company is making good faith efforts to recruit Omanis. In

addition, harsh penalties are applicable for transferring employment visa sponsorship from one individual to another or working under tourist visa status.

In a 2011 International Labor Organization (ILO) survey, 66 percent of survey respondents felt that current labor legislation is a constraint on enterprise growth. Only 13 percent of respondents believed that the local workforce has the necessary skills demanded by business, while only 9 per cent believed that Oman's tertiary and vocational education system generally meets the needs of the business community. A 2012 Muscat American Business Council survey similarly cited workforce quality as the top challenge to doing business in Oman.

### **Foreign-Trade Zones/Free Ports**

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The government has established free-trade zones to complement its port development projects investing heavily in the Duqm, Salalah, and Sohar Free Zones. These areas include strategically located ports and are well connected with modern infrastructure and facilities. An incentive package for investors includes a tax holidays, duty-free treatment of all imports and exports, and tax-free repatriation of profits. Additional benefits include streamlined business registration, processing of labor and immigration permits, assistance with utility connections, and lower Omanization requirements.

### **Foreign Direct Investment Statistics**

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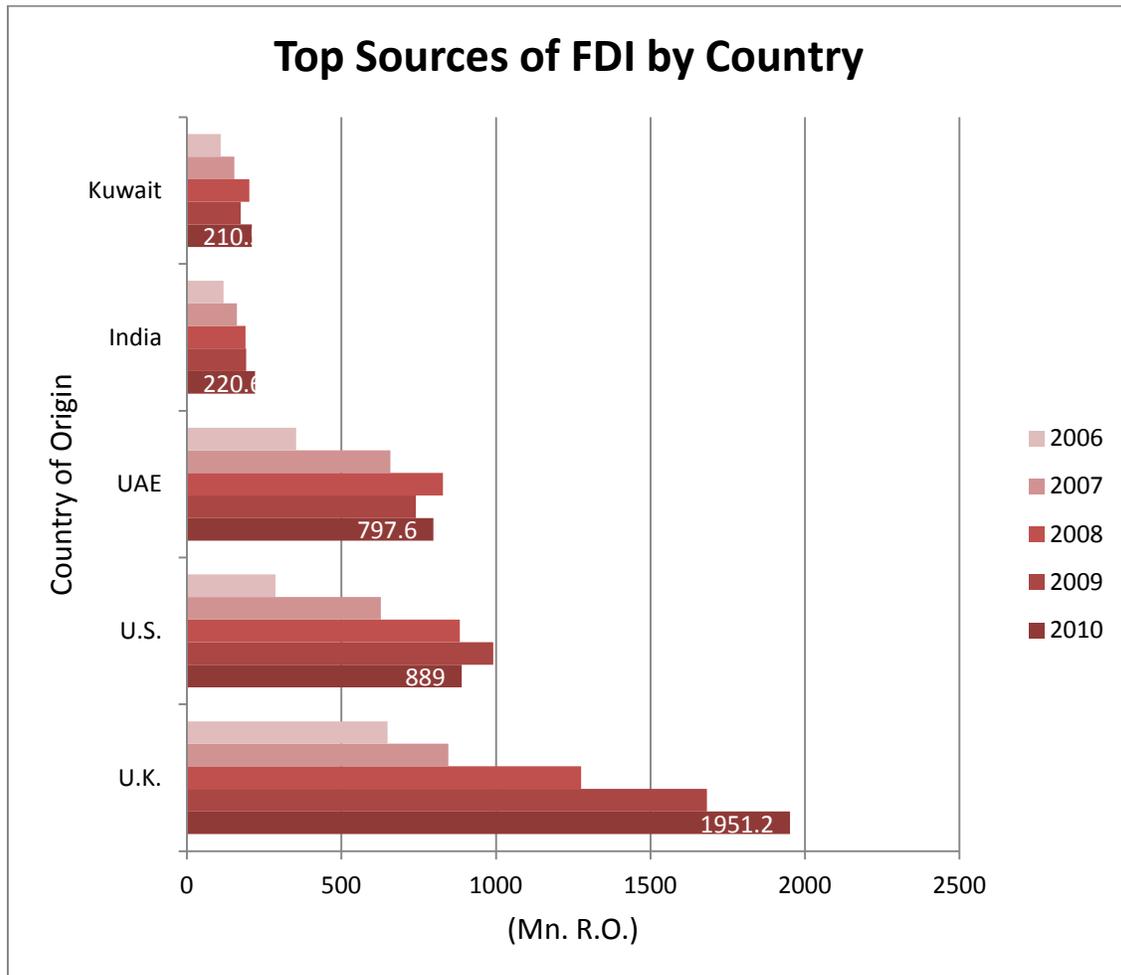
Systematic information on foreign direct investment is limited. According to PAIPED, FDI reached \$16bn at the end of 2011, and inflows were approximately \$2 billion during the year, double the preceding year's volume. In 2010, the most recent year for which a breakdown is available, data shows that the UK was the top source of investment at 33 percent (\$5bn), with the U.S. second at 20 percent (\$2.3bn) and the UAE third with 15 percent (\$2bn).

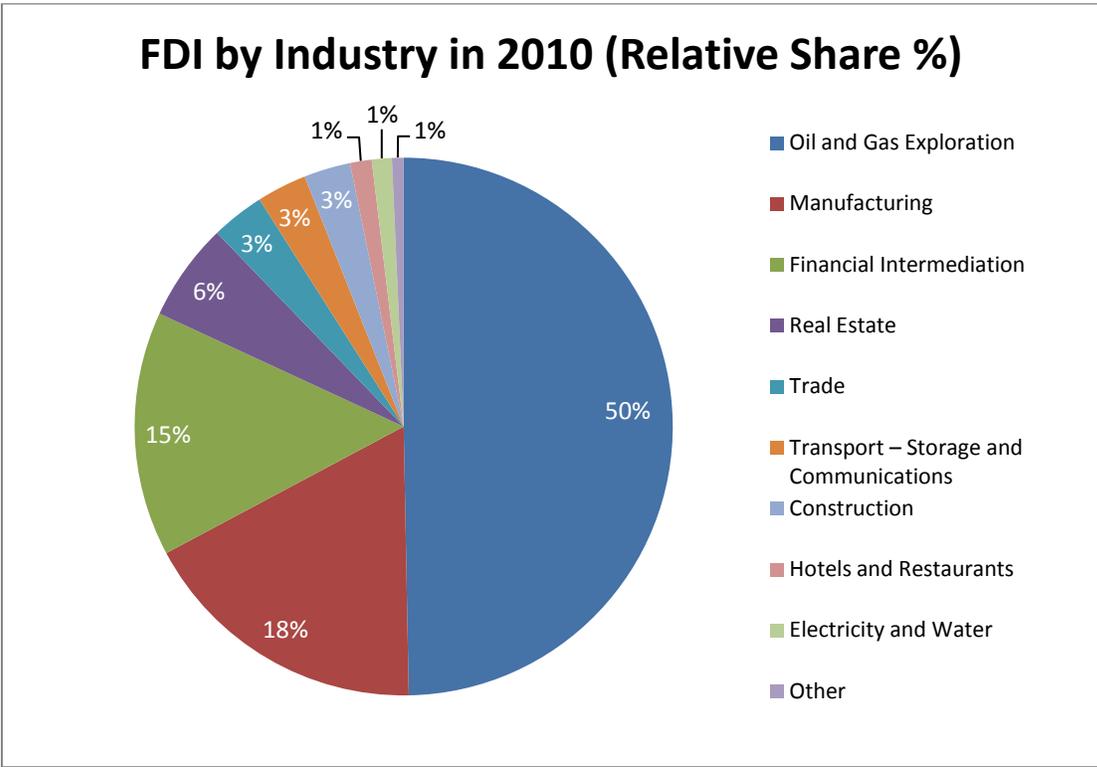
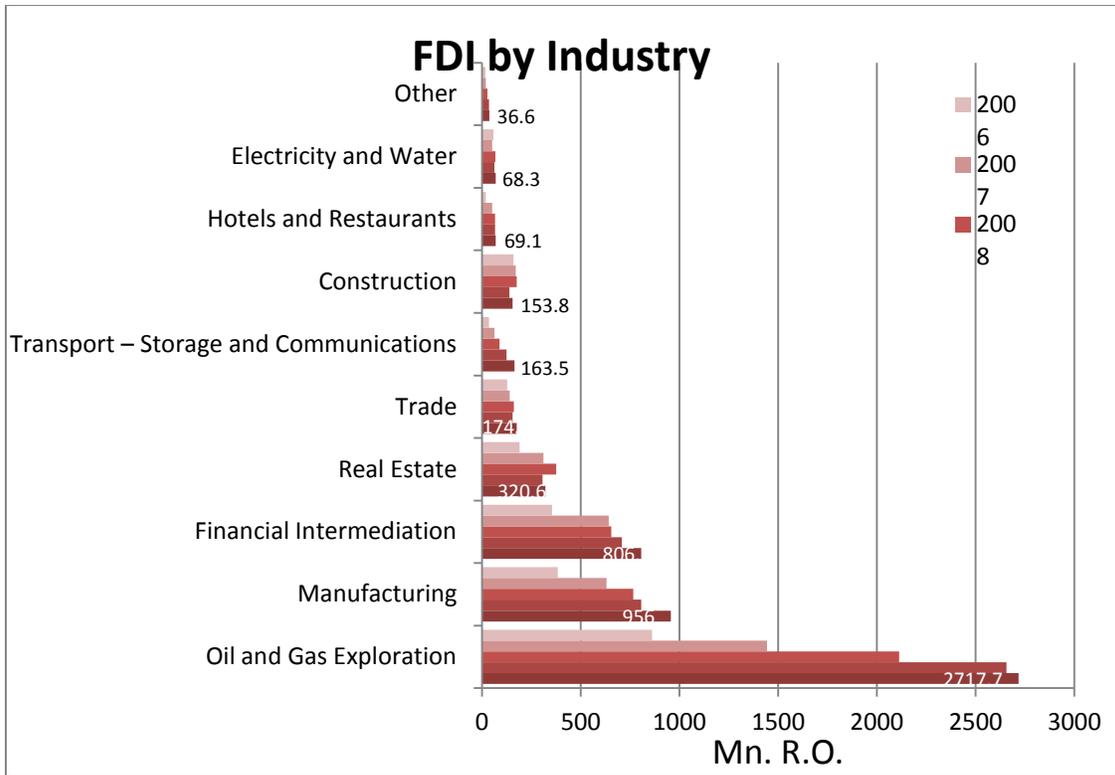
As per Capital Market Authority statistics from December 2009, foreign participation, including that from GCC nationals, equaled 23 percent in terms of shares held in the Muscat Securities Market. Foreign capital constituted 24 percent of the shares held in finance, 21 percent in manufacturing, and 23 percent in insurance and services. FDI has jumped over the course of the decade, from only RO 929 million, or \$2.4 billion, in 2003.

The largest foreign investor is Royal Dutch Shell Oil, which holds 34 percent of Petroleum Development Oman, the state oil company, and 30 percent of Oman Liquid Natural Gas. Other companies, such as Occidental Petroleum, BP Amoco, Novus Petroleum, Hunt, British Gas, and Nimr, have also invested in Oman's petroleum and gas sectors. U.S. firms, including Dover (oil drilling rods), VFT Global (controlled environment agriculture), Gorman Rupp (water pumps) and FMC (wellhead equipment), have entered into joint ventures with Omani partners. Since 1999, Oman has witnessed increased foreign direct investment through the privatization process. Major foreign investors that have entered the Omani market recently include Sembcorp (Singapore) Daewoo (Korea), LG (Korea), Veolia (France), Huawei (China), SinoHydro (China), and Vale (Brazil).

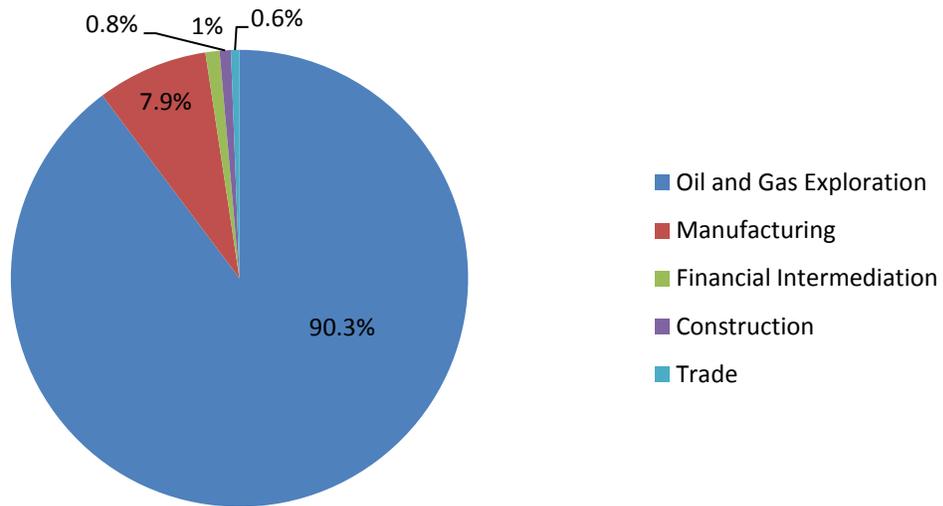
According to the latest statistics available from the National Center for Statistics & Information, in 2010 manufacturing received the lion's share of FDI, at 30.7 percent, with oil and gas exploration a close second at 28.1 percent, and financial intermediation at 23.6 percent. Most American FDI has been directed at oil and gas exploration (90 percent), with about 7 percent invested in manufacturing.

Source of all charts below: National Center For Statistics & Information





## U.S. FDI in Oman by Activities 2010



### Web Resources

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Ministry of Commerce and Industry

<http://www.MOCloman.gov.om/>

Public Authority for Investment Promotion and Export Development (PAIPED)

<http://www.ociped.com/>

Public Establishment for Industrial Estates

<http://www.peie.om/>

Oman Chamber of Commerce and Industry

<http://www.omanchamber.com/>

Muscat American Business Council

<http://mabcoman.com/>

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### **How Do I Get Paid? (Methods of Payment)**

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The most common method of payment in Oman is by providing a letter of credit from a bank. Oman has four debt collection agencies: Debt Recovery Service, Fort Travel and Tours, United Finance Company, and United International Recovery. There are no credit rating agencies or bureaus currently established in Oman.

### **How Does the Banking System Operate**

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Oman's banking sector consists of 17 licensed local and foreign commercial banks and two specialized banks. Two Islamic commercial banks began operations in 2013: Al Izz Bank International and Bank Nizwa. The banks are subject to supervision by the Central Bank of Oman (CBO), which regulates and licenses private banks, monitors interest rates, and issues development bonds and notes.

### **Foreign-Exchange Controls**

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The Omani Rial is fully convertible and is pegged to the U.S dollar (1 RO = \$2.60). There is no restriction on the repatriation of capital from Oman.

### **U.S. Banks and Local Correspondent Banks**

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Local banks in Oman maintain U.S correspondents: Bank Muscat (J.P. Morgan Chase), Oman International Bank (Citibank), National Bank of Oman (Wells Fargo), Oman Arab Bank (Arab Bank PLC), Bank Dhofar (Wells Fargo and J.P. Morgan Chase). There are no U.S. banks operating in Oman, although Citibank remains active in the Omani market working out of its Dubai office.

### **Project Financing**

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While salary-based personal consumption loans have traditionally composed up to 70% of bank lending (the household sector currently holds about 46% of total bank credit), Omani banks are slowly beginning to heed calls for more financing of large industrial

projects. However, interest rates average 5.6% and can reach 15% for riskier projects. SME financing, currently at only 2% of total lending, has been limited as banks are unwilling to take risks on start-ups, though the government is now promoting greater lending to start ups.

The Sultanate has two loan programs to promote investment. The Ministry of Commerce and Industry (MOCI) administers a program designed to promote industrial investment. Formerly interest free, the program now charges 4% annual interest, with generous repayment terms. MOCI loans will match equity contributions in the Muscat capital area, or 1.25 times equity for other locations. Projects with a high percentage of local content or employing large numbers of Omanis are given priority, as are tourism projects outside the capital area. Some large utility projects require 40% listing on the Muscat Securities Market (MSM) exchange within five years. The Oman Development Bank (ODB) also administers loans with a RO 1m (\$2.6m) ceiling to support development of smaller industries in the agriculture, fisheries, petroleum, mining, and services sectors. ODB also offers an SME loan guarantee program in partnership with commercial banks, interest subsidies, and attractive export financing rates. Foreigners can participate in IPOs on the MSM via local brokers. Public joint stock companies (SAOG) may issue shares to the public with a minimum of RO 2 million, or \$5.2 million. Investors may also seek financing from the Gulf Investment Corporation located in Kuwait.

## **Web Resources**

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Ministry of Commerce and Industry  
<http://www.MoCIoman.gov.om>

Central Bank of Oman  
<http://www.cbo-oman.org/>

Oman Development Bank  
<http://www.odboman.net/>

Bank Muscat  
<http://www.bankmuscat.com>

Oman International Bank  
<http://www.oiboman.com>

National Bank of Oman  
<http://www.nbo.co.om>

Oman Arab Bank  
<http://www.oman-arabbank.com>

Bank Dhofar  
<http://www.bankdhofar.com/>

Oman Capital Market Authority  
<http://www.cma.gov.om>

Muscat Securities Market

<http://www.msm.gov.om>

Central Bank of Oman

<http://www.cbo-oman.org>

Oman Investment Corporation

<http://www.omaninvcorp.com>

Oman Investment Fund

<http://www.oif.om>

Iskan Oman Investment Company

<http://www.iskanoman.com>

Export-Import Bank of the United States

<http://www.exim.gov>

U.S. Overseas Private Investment Corporation

<http://www.opic.gov>

U.S. Small Business Administration- Office of International Trade

<http://www.sba.gov/oit/>

USDA Commodity Credit Corporation

<http://www.fsa.usda.gov/cc/default.htm>

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## Chapter 8: Business Travel

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### Business Customs

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While most Omani businesspersons are accustomed to western business practices, some still operate along more traditional lines. A visit to Oman may involve the following: appointments will sometimes not be made until after the foreign businessperson arrives in Oman; upon arriving for an appointment, s/he may discover that others have appointments at the same time, or have arrived without one. However, a visitor should be on time, particularly for government appointments. Once the meeting begins, it may be interrupted by telephone calls. Politeness is highly valued; blunt statements should be recast into constructive, balanced terms. Devout Muslims pray five times every day; visitors should be sensitive to hosts who break off a discussion for prayer at noon, which falls during business hours. In dealing with one of the many Omani executives educated in the U.K. or the United States, there is little other than the “dishdasha” national dress worn by the Omanis that a visiting businessperson might find different from home. English is very widely spoken, particularly in the capital area.

Coffee, tea, or soft drinks will probably be offered (except during the Muslim holy month of Ramadan when it would be impolite to expose Omani counterparts to open food), and should be accepted. It is customary for a guest to have one cup of Arabic coffee and a teaspoon-sized portion of halwa, a gelatinous sweet. If spoons are provided, the guest uses the spoon to scoop a small portion from the bowl or platter to eat. If a guest wants a second scoop, it is acceptable to use the same spoon to take another portion. If spoons are not provided, the guest will use the thumb and two forefingers of the right hand to scoop a piece of halwa from the bowl or platter. A server may then bring water and a towel hand washing. This may also be followed by an offer of rosewater which is poured onto the open palm for the guest to rub into their hands. Arabic coffee is poured into a small cup and offered to the guest for immediate consumption. The server will stand by to pour a second cup. If the guest does not wish for his cup to be refilled, he should shake the empty cup to indicate he is finished.

On formal occasions, frankincense may also be brought into the room and held in front of the guest for a few seconds to allow him to wave some of the smoky vapors onto himself. After each guest has had the opportunity to wave the vapors on to themselves, the frankincense will be taken out of the room.

## Travel Advisory

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As of the date of publication, there are no travel advisories in effect for Oman. However, regional and global advisories remain in effect. See <http://www.travel.state.gov/> for up-to-date travel advisories/warnings.

## Visa Requirements

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Tourist and business visas are relatively easy to obtain at the airport or a land border. A single-entry tourist or business visa costs \$52 (20 RO) and is valid for one month; the visa may be renewed for a \$52 (20 RO) fee. As of February 2012, a 10-day visa can be purchased at land and sea entry ports for \$13 (5 RO). A multiple-entry tourist or business visa, which is valid for one year, costs \$130 (50 RO). Both may be obtained upon arrival at the airport. Visas can also be obtained in advance through application to an Omani embassy, consulate, or trade representative abroad. There are also expedited procedures for citizens of other GCC nations, as well as an agreement allowing Omani visa-holders to visit Dubai via air. In 2011, a "New Employee Contract Visa" was introduced, which allows for up to 6 months of visits for pre-award negotiations, interviews etc.

Self-sponsorship, through an Investors Visa, is available for a minimum RO 250,000 (\$650,000) capital investment, and provides for two years of residency.

Doing any kind of business, even visiting a field site, on a tourist visitors' visa is not recommended as this can result in heavy fines.

The U.S. Embassy in Muscat does not arrange visas for visiting businesspersons. A multiple entry visa is strongly recommended; however, not all Omani diplomatic missions inform U.S. citizens of that option. The State Department's Consular Information Sheet for Oman, which includes travel advisory information, can be found at: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_991.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_991.html)

U.S. companies that require travel of foreign businesspersons to the United States should refer to the following links for U.S. visa application procedures:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

Consular Section, U.S. Embassy in Muscat: <http://oman.usembassy.gov/>

## Telecommunications

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Omantel and NARWAS operate a relatively modern and efficient telephone system. Virtually all businesses have fax machines. Mobile (GSM) phones are widely used; roaming arrangements cover the GCC, the U.S., the UK, and European countries. The networks for GSMs are operated by the telecommunications providers in Oman, NAWRAS and Omantel, although other competitors, Friendi, Renna, Mazoon Mobile, Samatel and Injaz Mobile have recently entered the market. Omantel and Nawras also provide broadband Internet services.

## **Transportation**

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Western visitors rarely patronize the local, non-air conditioned bus or collective taxi system in Muscat and this is not recommended for unaccompanied women. Outside of the capital area, public transport is rarely found off main highways. Taxis are ubiquitous throughout urban areas. Customers are advised to negotiate the fare before entering the taxi and ask a trusted local regarding pricing for the distance travelled. There are currently no metered taxis, though in early 2012 plans to introduce metering in airport taxis were announced. There are many international rental car companies active in Oman, counters can be found upon arrival at the international airport.

## **Language**

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The official language of Oman is Arabic. English is widely spoken as the language of business and higher education; Swahili, Farsi, Urdu, Baluchi, Hindi, and various languages of south Asia are common.

## **Health**

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Sanitary standards for food and water are generally quite good, particularly at major hotels. The Omani government inspects restaurants to maintain hygienic standards. The use of bottled water is recommended in the summer months. Health care in Oman is adequate and there are a number of Western or Western-educated health care providers in the Muscat area.

## **Local Time, Business Hours, and Holidays**

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Local Time:

Oman is four hours ahead of Greenwich Meantime and eight hours ahead of Eastern Daylight Time (EDT); as Oman does not observe daylight savings time, during winter months it is nine hours ahead of Eastern Standard Time (EST).

Business Hours:

Weekdays are Sunday through Thursday. Many companies open at 7:30, close for the afternoon at 13:00 and reopen at 16:00, closing for the day at 18:00. Larger businesses operate from 8:00 to 16:30. Government offices are open from 7:30 to 14:30. During the month of Ramadan government offices and most businesses have shortened hours.

Public Holidays for 2013:

- Birth of the Prophet\* January 24
- Prophet's Ascension Day\* June 6
- Renaissance Day July 23
- Eid al Fitr\* August 8-9
- Eid al Adha\* October 15-17
- Islamic New Year\* November 4
- Oman National Day November 18

\* For religious holidays the actual date will be announced upon sighting of the moon.

**Web Resources**

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U.S Embassy, Muscat

<http://oman.usembassy.gov/>

Travel Advisory Website

[http://www.travel.state.gov/.](http://www.travel.state.gov/)

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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Muscat American Business Council (MABC)  
Ali Daud, President  
c/o Emmee Haun, Executive Director  
TEL: (968) 24 797-623; FAX: (968) 24 798-291  
E-mail: [mabcoman@omantel.net.om](mailto:mabcoman@omantel.net.om)  
Website: <http://www.mabcoman.org/>

Embassy of the Sultanate of Oman  
Her Excellency Hunaina al-Mughairy, Ambassador  
c/o Shireen Said, Trade Attaché  
2535 Belmont Road, NW  
Washington DC 20008  
E-mail: [shireensaid@live.com](mailto:shireensaid@live.com) ; [shireensaid@yahoo.com](mailto:shireensaid@yahoo.com)  
Website: <http://www.omanet.com>; <http://omanembassy.net/>

Public Authority for Investment Promotion and Export Development (PAIPED)  
His Excellency Salim bin Nasser Al-Ismaili, Chairman  
c/o Director General of Investment Promotion Faris al-Farsi  
P.O. Box 25 - Wadi al-Kabir  
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Sultanate of Oman  
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Website: <http://www.ociped.com>

Oman Chamber of Commerce and Industry  
His Excellency Khalil bin Abdullah bin Mohammed al-Khonji, Chairman  
c/o Director General Abdul Adheem Abbas al-Bahrani  
P.O. Box 1400, Ruwi  
Postal Code 112  
Sultanate of Oman  
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E-mail: [info@chamberoman.org](mailto:info@chamberoman.org) ; [Adheem@chamberoman.org](mailto:Adheem@chamberoman.org)  
Website: <http://www.chamberoman.com>

Ministry of Commerce and Industry (MOCI)  
His Excellency Eng. Ali bin Masoud al-Sunaidy, Minister  
c/o Minister's Advisor for Commercial Relations Seif al-Rizeiqi  
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Postal Code 113  
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Directorate General for Specifications and Measurements (MOCI)  
Saud bin Nasser al-Khusaibi, Director General  
P.O. Box 550  
Muscat, P.C. 113  
Sultanate of Oman  
TEL: (968) 24 774-800, FAX: (968) 24 815-992  
Website: <http://www.MoCloman.gov.om>  
Handles all standards, including food standards.

Directorate General of Commerce (MOCI)  
Khamis al-Farsi  
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Sultanate of Oman  
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E-mail: [khaalfarsi@gmail.com](mailto:khaalfarsi@gmail.com)  
Website: <http://www.MoCloman.gov.om>  
Handles commercial registration and One Stop Shop for investors.

Directorate General for International Organizations & Commercial Relations (MOCI)  
Khalid Al Shuabi, Director General  
P.O. Box 550  
Muscat, P.C. 113  
Sultanate of Oman  
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E-mail: [shuabi777@hotmail.com](mailto:shuabi777@hotmail.com)  
Website: <http://www.MoCloman.gov.om>  
Handles implementation of the FTA.

Ministry of Agriculture and Fisheries  
His Excellency, Dr. Fuad bin Mohammed Ja'afar bin Mohammed al Sajwani, Minister  
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E-mail: [agricop@omantel.net.om](mailto:agricop@omantel.net.om)  
Website: <http://www.mofw.gov.om>

Authority for Electricity Regulation  
John Cuneen, Executive Director  
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Al Khuwair, Sultanate of Oman  
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Website: <http://www.aer-oman.org/>

Ministry of Finance  
His Excellency Darwish bin Ismail bin Ali al Bulushi, Minister  
c/o Undersecretary for Treasury & Accounts Tahir al-Amry  
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Ministry of Health  
His Excellency, Dr. Ahmed bin Mohammed al Sa'eedi, Minister  
C/o Undersecretary for Planning Affairs Dr. Ali Talib al-Hinai  
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Ministry of Oil and Gas  
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c/o Information Specialist Suleiman al-Yaarubi  
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<http://www.mog.gov.om>

Ministry of Environment and Climate Affairs  
His Excellency, Mohammed bin Salim bin Said Al Toobi, Minister  
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FAX: (968) 24 693-995/693-858  
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Ministry of Transport and Communications  
His Excellency, Dr. Ahmed bin Mohammed bin Salim al Futaisi, Minister  
C/o Undersecretary for Ports & Maritime Affairs H.E. Said Hamdoon al-Harthy  
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Website: <http://www.motc.gov.om/>

Ministry of Higher Education  
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E-mail: [alsarmi@mohe.gov.om](mailto:alsarmi@mohe.gov.om)  
Website: [www.mohe.gov.om](http://www.mohe.gov.om)

Central Bank of Oman  
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Website: <http://www.cbo-oman.org/>

U.S. Embassy Commercial Section  
Emily Shaffer, Economic and Commercial Officer  
Ida Mathew, Commercial Specialist  
American Embassy, Muscat  
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Sultanate of Oman  
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E-mail: [muscatcommercial@state.gov](mailto:muscatcommercial@state.gov)  
Website: <http://oman.usembassy.gov/business.html>

Agricultural Trade Office  
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U.S. Agricultural Trade Office  
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Dubai, UAE  
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FAX: (9714) 311-6189  
E-mail: [ATOdubai@state.gov](mailto:ATOdubai@state.gov)

Website: <http://www.usembabu.gov.ae/atodubai.htm>  
(Covers: Oman, Bahrain, Kuwait, Qatar, and UAE)

USDA/Washington Contact Information

Trade Assistance and Promotion Office (TAPO)  
Foreign Agricultural Service (FAS)  
U.S. Department of Agriculture  
Ag Box 1052  
Washington, DC 20250-1052  
TEL: (202) 720-7420  
FAX: (202) 690-4374  
Website: <http://www.fas.usda.gov>

**Market Research**

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To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://www.buyusainfo.net> and click on Country and Industry Market Reports.

**Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

Please click on the link below for information on all major U.S. food and agricultural exhibitions:

<http://www.fas.usda.gov/agexport/tradeshows/DomesticShows.html>

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers to U.S. businesses, please click on <http://www.export.gov/oman> and <http://oman.usembassy.gov/our-services.html>.

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.