OMAN

TRADE SUMMARY

The U.S. trade deficit with Oman was $88 million in 2004, a decrease of $284 million from $372 million in 2003. U.S. goods exports in 2004 were $330 million, up 2.3 percent from the previous year. Corresponding U.S. imports from Oman were $418 million, down 39.8 percent. Oman is currently the 83rd largest export market for U.S. goods. The stock of U.S. foreign direct investment (FDI) in Oman in 2003 was $358 million, up from $193 million in 2002.

After consultations with Congress, the United States began Free Trade Agreement (FTA) negotiations with Oman in March 2005. An important objective of these negotiations is the removal of trade barriers for U.S. goods and services providers. The FTA with Oman is the next stage in achieving President Bush's vision for a Middle East Free Trade Area by 2013.

IMPORT POLICIES

Tariffs

As a member of the Gulf Cooperation Council (GCC), Oman applies the GCC common external tariff of five percent for most products, with a limited number of GCC-approved country-specific exceptions. Oman's exceptions to the common external tariff include 100 percent tariff rates on pork and alcohol products, 100 percent on cigarettes above the 820 count, a 25 percent duty on edible oils sold in retail pack, plus a few protective duties on a limited number of products such as dried lemon-bananas, dates and ghee.

Import Licensing

In Oman, companies that import goods must be registered with the Ministry of Commerce and Industry, but are no longer required to be 51 percent Omani-owned. Importation of certain classes of goods, such as alcohol, livestock, poultry and their respective products, firearms, narcotics and explosives, requires a special license, and media imports are subject to censorship.

Documentation Requirements

Except for food products, an authentication procedure is not required if the importing company has an existing agency agreement with a U.S. exporter. In 1996, Oman began the process of simplifying customs clearance documentation to expedite the flow of goods and promote its ports and airports. However, only Omani nationals are permitted to submit documents to clear shipments through customs.

Customs Valuation

Oman implemented the Customs Valuation Agreement when it joined the WTO in 2000, and is still working on further enhancing its customs valuation system.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Oman has not yet revised its shelf-life requirements to meet its World Trade Organization (WTO) commitments. In its accession to the WTO, Oman committed to eliminate mandatory shelf-life standards for shelf-stable foods, establish regulations and procedures in line with international norms for highly perishable refrigerated food products, and replace remaining shelf-life requirements with a science-based regulatory framework, but it has not yet done so. In 2000, Oman announced by Royal Decree its intention to adopt internationally recognized Codex standards for the labeling of prepackaged food. Oman still maintains a ban on imports of U.S. beef and beef products that is not in accordance with international guidelines, but did remove its temporary ban on imports of U.S. poultry and poultry products in 2004.

GOVERNMENT PROCUREMENT

Oman provides a 10 percent price preference to tenders that contain a high content of local goods or services, including direct employment of Omanis. The government considers the quality of a product or service and support, as well as cost, in evaluating bids. For most major tenders, Oman typically invites firms either already registered in Oman or preselected by project consultants. To increase transparency in the tendering process, Oman advertises tenders in the local press, international periodicals, and on the tender board's website. Also, bidders are now requested to be present at the opening of bids, and interested parties may view the process on the tender board website. In the past, bidders' costs have sometimes increased dramatically when award decisions were delayed, sometimes for years, or when bidding was reopened with modified specifications and, typically, short deadlines. Oman is known to have an offset program only with the United Kingdom. Offsets are not standard adjuncts to government contracts and have not been associated with any U.S. defense transactions, whether commercial or foreign military sales. As part of its WTO accession, Oman has also committed to begin negotiations to join the WTO Agreement on Government Procurement.

EXPORT SUBSIDIES

An independent government-owned company – Export Credit Guarantee Agency – provides export payment guarantees and insurance below local-market interest rates, protecting Oman's few non-petroleum exporters from payment problems on transactions. These guarantees are subject to approval of buyer and country risk. The Omani Ministry of Commerce and Industry also offers soft loans to projects in the industrial, tourism, health, education, and other service-related sectors. Formerly interest-free, these loans now bear about a four percent interest rate.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

As part of its WTO accession, Oman adopted derogations to the GCC patent law to comply with its obligations under the TRIPS Agreement. In 2000, Oman amended its copyright protection law, and in 1999 enacted decrees banning the local sale of pirated videocassettes, sound recordings, and computer software. Enforcement of the copyright protection decree by the Ministry of Heritage and Culture, the Ministry of Commerce and Industry, and the Royal Oman Police has been largely effective, as once plentiful pirated video and audiotapes and computer software have largely disappeared from local vendors' shelves. Nonetheless, under-the-counter sales of unauthorized software and DVDs persist in various locations, and authorities continue to grapple with effective enforcement measures against such sales. In late October 2003, 16 Omani companies signed the Business Software Alliance (BSA) Code of Ethics. The Code of Ethics declares that the signatories would neither commit nor tolerate the manufacture or use or distribution of unlicensed software and would only supply licensed software to customers. According to local satellite television representatives, the Ministry of Commerce is staging sporadic raids on unlicensed distributors of pirated satellite signals in response to industry complaints. In 2000, Oman updated its trademark law as well as issued a new law on geographical indications. However, as the implementing regulations to these new and updated laws have yet to be promulgated, it is unclear if they comply with Oman's with obligations under the TRIPS Agreement.

SERVICES BARRIERS

Insurance

As part of its WTO commitments, Oman is allowing foreign-ownership of up to 100 percent in most insurance sectors, except for brokerage companies that are restricted to a 70 percent limit.

Banking

Omani laws permit the operation of foreign banks. Although Oman barred entry of new non-GCC banks in the past on the grounds of excess capacity in the sector, it has recently licensed the State Bank of India to commence operations. Oman does not permit representative offices or offshore banking.

Agent and Distributor Rules

Since 1993, Oman has permitted an importer to bring in goods without paying a commission to a registered agent, if the goods are imported through an Omani port or airport. However, in practice, it is difficult for a foreign firm to sell directly to the government without an Omani agent identifying and bidding on tender opportunities. In addition, termination of an agency agreement can be difficult, as a supplier may not unilaterally terminate an agency agreement without justifiable cause. Since September 1996, Oman has registered nonexclusive agency agreements. Most recently, Oman has attempted to address unemployment through mandating local hire quotas, limiting distribution from food wholesale centers to Omani nationals, and restricting small grocery food retail sales to businesses owned and operated by Omani nationals.

INVESTMENT BARRIERS

In September 2003, Oman amended its tax law and extended the national tax treatment (i.e., a corporate tax rate of 12 percent) to all Omani and GCC companies regardless of the percentage of foreign ownership. Taxes on branches of foreign-owned companies remained at 30 percent. In addition, Oman exempted companies in the education, health, and aquaculture sectors from taxes. Foreign airlines are now tax-exempt subject to reciprocal agreement. The new tax exclusion also extends to capital gains on disposal of securities listed on the local stock market as well as joint investment funds. Oman frequently reviews and modifies its laws and procedures to attract increased foreign investment. Majority foreign-owned investments are eligible for tax-holidays of up to ten years, a benefit also enjoyed by Omani firms. The tax-holiday waives corporate income tax, as well as customs taxes on goods imported for business purposes under certain categories of projects. Oman now permits 100 percent foreign-ownership on a case-by-case basis with the approval of the Minister of Commerce and Industry, although only a handful of companies have taken advantage of this opportunity. None of the companies listed on the Omani stock exchange is 100 percent foreign-owned.

In Oman, foreigners are permitted to purchase shares on the Muscat Securities Market (MSM). As of midyear 2004, approximately 17.9 percent of the MSM's total market capitalization was foreign-owned.