

Oman

RISK & COMPLIANCE

DATE: January 2017

Executive Summary - Oman

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions
Medium Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average score)</p> <p>Failed States Index (Political)(Average score)</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>dates, limes, bananas, alfalfa, vegetables; camels, cattle; fish</p> <p>Industries:</p> <p>crude oil production and refining, natural and liquefied natural gas (LNG) production; construction, cement, copper, steel, chemicals, optic fiber</p> <p>Exports - commodities:</p> <p>petroleum, re-exports, fish, metals, textiles</p> <p>Exports - partners:</p> <p>China 31.9%, Japan 12.9%, UAE 10.1%, South Korea 10%, Thailand 4.4%, Singapore 4.4% (2012)</p> <p>Imports - commodities:</p> <p>machinery and transport equipment, manufactured goods, food, livestock, lubricants</p> <p>Imports - partners:</p> <p>UAE 23.6%, Japan 12.6%, India 8.5%, China 6.4%, US 6.1% (2012)</p>	

Investment Restrictions:

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..

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Section 1 - Background

The inhabitants of the area of Oman have long prospered on Indian Ocean trade. In the late 18th century, a newly established sultanate in Muscat signed the first in a series of friendship treaties with Britain. Over time, Oman's dependence on British political and military advisors increased, but it never became a British colony. In 1970, QABOOS bin Said Al-Said overthrew his father, and he has since ruled as sultan. His extensive modernization program has opened the country to the outside world while preserving the longstanding close ties with the UK. Oman's moderate, independent foreign policy has sought to maintain good relations with all Middle Eastern countries. Inspired by the popular uprisings that swept the Middle East and North Africa beginning in January 2011, Omanis began staging marches and demonstrations to demand economic benefits, an end to corruption, and greater political rights. In response to protester demands, QABOOS in 2011 pledged to implement economic and political reforms, such as granting legislative and regulatory powers to the Majlis al-Shura and introducing unemployment benefits. In August 2012, the Sultan announced a royal directive mandating the speedy implementation of a national job creation plan for thousands of public and private sector jobs. As part of the government's efforts to decentralize authority and allow greater citizen participation in local governance, Oman successfully conducted its first municipal council elections in December 2012. Announced by the Sultan in 2011, the municipal councils will have the power to advise the Royal Court on the needs of local districts across Oman's 11 governorates.



Section 2 - Anti - Money Laundering / Terrorist Financing

FATF Status

Oman is not currently identified by FATF as having substantial money laundering and terrorist financing (ML/TF) risks or having strategic AML/CFT deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Oman was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Oman was deemed Compliant for 3 and Largely Compliant for 24 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 1 out of 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2011):

The Sultanate of Oman has set up an AML/CFT system that is essentially in line with the international standards.

The new AML/CFT law, enacted in July of 2010, was concluded by the assessment team to be robust. While this new AML/CFT law has been in force since last year, the 2004 Executive Regulations are still in force as Oman currently finalizes the new draft of the Executive Regulations to correspond to the new law. This pending legal update has caused some gaps in the legal framework for preventive measures. Notwithstanding the remaining shortcomings, the overall legal compliance with the FATF Recommendations is high. However, the effectiveness of the legal system and the related institutional law enforcement framework was noted to be lacking in some areas.

Legal framework

Oman has criminalized money laundering, to a large extent in line with the requirements under the Vienna and Palermo Conventions. However, the money laundering offense does not cover "the concealment or disguise of the disposition of property" and the criminal liability for ML does not extend to all legal persons. Moreover, questions can be raised in regard to effective implementation due to the extremely low number of convictions for money laundering.

Oman's legislation provides for most of the elements needed to criminalize terrorist financing. However, the terrorist financing offence does not cover the financing of an individual terrorist, and the definition of terrorist act is not fully consistent with the Terrorist Financing Convention. Effectiveness could not be established since there has been no investigations, prosecutions or convictions relating to terrorist financing.

Oman has in place a robust legal framework that provides for a wide range of confiscation, seizure and provisional measures. However, the low number of confiscations indicates that the effectiveness of the framework is still insufficient. As for the freezing of terrorist assets in relation to the relevant UN Security Council Resolutions, Oman has no laws and procedures in place to implement UNSCR 1373, and although names of designated persons under UNSCR 1267 are circulated to concerned parties, there are gaps in the legal framework and no procedures are in place to implement most of UNSCR 1267 and successor resolutions.

Law enforcement

The Financial Intelligence Unit (FIU) and its predecessors within the Royal Oman Police have been receiving suspicious transaction reports (STRs) since 2002. The FIU has been in existence for several years, and has only recently made progress in functioning in an effective manner, shown by considerably more disseminations of STRs in 2010 than in the previous 3 years. Yet, the time spent by the FIU on analyzing STRs should be improved as several investigations have shown to take a long time. The FIU should continue the positive improvements by further enhancing its capacity and experience in analyzing STRs to expedite the time between the reporting and dissemination of an STR.

The Royal Omani Police and the Public Prosecution Office are empowered to conduct money laundering and terrorist financing investigations. Both are sufficiently resourced to perform their tasks and have adequate powers.

Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs)

Both the Central Bank of Oman and Capital Markets Authority have sufficient powers and financial resources to conduct their supervisory activities. While the assessment team commends the authorities' strong efforts in overseeing their reporting entities, it also noticed very low levels of corrective measures applied by both supervisory agencies. Only one administrative penalty has been imposed so far for an AML/CFT violation. Both authorities need to utilize its full sanctioning powers for violation of AML/CFT requirements.

The pending update of the Executive Regulation causes some gaps in the legal framework for preventive measures for FIs, especially regarding customer due diligence measures. Oman should expeditiously finalise the drafting of the Executive Regulation to address the remaining shortcomings in the preventive area.

Deficiencies identified in FIs' obligations apply equally to the DNFBS sectors. The effectiveness of the framework for DNFBS is generally rather limited, mainly due to the recent enactment of the AML/CFT Law, and low money laundering/terrorist financing risk perception by the businesses that are covered.

US Department of State Money Laundering assessment (INCSR)

Oman was deemed a "Monitored" Jurisdiction (Lower Risk) by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorism financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a small number of smugglers operating between Musandam, the northernmost exclave of Oman, and Iran. Omani authorities are aware that growing Iranian overtures toward Oman for increased trade and engagement, particularly in light of potential sanctions relief, may create conditions for money laundering/terrorism financing activity. Trade is generally financed with small amounts of cash and mostly comprises consumer goods. Oman is a regional transit point for narcotics from Afghanistan, Pakistan, Iran, and Tanzania, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally limited and derived from smuggling or drug trafficking activities. Smugglers and drug traffickers are generally expatriates.

Corruption, primarily in the form of cronyism or insider operations, remains a concern. Since 2013, the government has been taking legal action against senior officials in the housing sector and senior executives of partially state-owned enterprises accused of corrupt practices in the oil and gas sector.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO KYC covered entities: Banks; foreign exchange companies; investment and credit companies; insurance

companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: YES

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In response to corruption issues, the Government of Oman empowered the State Financial and Administrative Audit Institution (SFAAI) with greater investigatory power. Oman's crackdown on corruption led to several high-profile convictions in early 2014. Subsequent to convictions on charges of bribery, prominent businessmen and high-level government employees within the Ministry of Finance and the partially government-owned Petroleum Development of Oman were given heavy fines and prison sentences. There have been no high profile arrests or convictions to date in 2015.

In 2015, Oman issued a series of recommendations for advancing its AML legislation and developing additional training for the Royal Oman Police's Financial Intelligence Unit (FIU), particularly in the area of risk management. The Omani government is exploring additional legislation to strengthen KYC regulations. A new draft of the existing Law of Anti-Money Laundering and Combatting of Terrorism Financing (No. 79/2010) is expected in 2016.

The FIU has access to daily transaction flows via the Central Bank of Oman database, which monitors all banks operating in Oman. The FIU lacks sufficient cooperation mechanisms with other government financial or law enforcement entities involved in AML/CFT activities, but the National Committee on Anti-Money Laundering continues to examine opportunities to increase information sharing and coordination among government agencies. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases.

Oman has a declaration system for bulk cash, bearer negotiable financial instruments, and precious metals and stones; however, Omani authorities have no central database to track declarations. There are more than 70 databases with no current capacity to share or transfer information.

To enhance their operational capabilities, the Omani authorities should fully empower the FIU and law enforcement authorities. Oman should take action to improve analytical and investigatory capacity. The government should enhance and integrate its databases to ensure access by the relevant Omani authorities to pertinent information, and strengthen cooperation and capacity between the FIU and the Royal Oman Police Customs Directorate to interdict illicit cross-border financial transactions and identify trade-based value transfer schemes. The Government of Oman should require enhanced due diligence procedures for politically exposed persons (PEPs). The government should release timely statistics on the number of financial intelligence reports filed and money laundering prosecutions and convictions so as to better gauge the effectiveness of its AML/CFT regime.

EU White list of Equivalent Jurisdictions

Oman is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Oman is not considered to be an Offshore Financial Centre

Trafficking in Persons

Oman is classified a Tier 2 country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Oman is a destination and transit country for men and women, primarily from India, Pakistan, Bangladesh, Sri Lanka, the Philippines, Ethiopia, Nepal, Kenya, and Indonesia, who may be subject to forced labor and, to a lesser extent, sex trafficking. Most migrants travel willingly and legally to Oman with the expectation of employment in domestic service or as low-skilled workers in the country's construction, agriculture, and service sectors. Some subsequently face forced labor, experiencing the withholding of passports and other restrictions on movement, nonpayment of wages, long working hours without food or rest, threats, and physical or sexual abuse. Labor source country officials report that the most common complaints among domestic workers seeking assistance at their embassies are excessive working hours, passport confiscation, and physical and mental abuse. Unscrupulous labor recruitment agencies and their sub-agents in communities in South Asia, as well as labor brokers in the United Arab Emirates (UAE), Oman, and Iran, may deceive workers into accepting work that constitutes forced labor. Many of these agencies provide false contracts with fictitious employers or wages and charge workers high recruitment fees (often in an amount exceeding the equivalent of approximately \$1,000) at usurious rates of interest, leaving workers vulnerable to trafficking. Some Omani employers obtain foreign domestic workers at the porous border crossing between Buraimi, Oman and Al Ain, UAE, though the numbers crossing into Buraimi reportedly decreased in 2013. Though employers typically secure a labor permit for domestic workers to legally work in Oman, often these women are runaway workers from Emirati families and are not aware they are being taken to another country to work, rendering them further vulnerable to exploitation in Oman. Women working in Oman as domestic workers from countries without a diplomatic presence in Oman, such as Ethiopia, are especially vulnerable to forced labor. In recognition of that problem, the Omani government imposed a ban on visas for Ethiopians in 2013 until the Omani government can appropriately address the trafficking problem. Government sources note that domestic workers who run away from their employers are also susceptible to forced prostitution. Male Pakistani laborers and other workers from India, Bangladesh, Sri Lanka, and East Asia transit Oman en route to the UAE; some of these migrant workers are exploited in situations of forced labor upon reaching their destination. Oman is also a destination and transit country for women from China, Bangladesh, Indonesia, India, Morocco, Eastern Europe, Uganda, Kenya, Ethiopia, Somalia, and Burundi, who may be forced into prostitution, typically by nationals of their own countries.

The Government of Oman does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government prosecuted and convicted some sex trafficking offenders, and it continued to identify and assist victims of

trafficking at a government-run shelter, though the facility remained underutilized. Nonetheless, the government's prosecution efforts declined from the previous reporting period, and as the government continued to treat potential forced labor cases as administrative violations, it failed to prosecute any suspected labor traffickers. For example, the Ministry of Manpower (MOM) and the Public Prosecution's Office of Labor Prosecutions assisted some potential victims through labor dispute settlement mechanisms. Though the government referred some victims to shelter services, Omani authorities did not employ formal procedures to proactively identify trafficking victims among vulnerable groups. Because authorities continued to rely on victims to voluntarily identify themselves and report abuses, rather than aggressively and proactively investigating trafficking in vulnerable communities, unidentified victims continued to be punished for crimes committed as a direct result of being trafficked.

Terrorist Financing 2015:

Overview: Oman is an important regional counterterrorism partner that worked actively to prevent terrorists from conducting attacks within Oman and neighboring countries, or using the country for safe haven or to transport terrorists, weapons, and material. Omani officials engaged regularly with U.S. officials on the need to counter violent extremism and terrorism. The Government of Oman sought training and equipment from U.S. government and commercial entities and from other countries to support its efforts to control its land, air, and maritime borders. Oman used U.S. security assistance to improve its counterterrorism tactics, techniques, and procedures.

Oman remained a member of the Global Coalition to Counter the Islamic State of Iraq and the Levant (ISIL), and also participated in the Leader's Summit on Countering ISIL and Violent Extremism hosted by President Obama in New York that took place on the margins of the UN General Assembly in September.

Throughout the year, Oman attended Counter-ISIL Campaign Planning Conferences hosted by U.S. Central Command (CENTCOM), and Omani military representatives attended the Counter-ISIL Chief of Defense Conferences hosted by CENTCOM. The Omani government issued a series of official statements condemning ISIL terrorist attacks in 2015, most notably the immolation killing of a Jordanian Air Force pilot in February, and the mass beheadings of 21 Egyptians near Tripoli, Libya.

Legislation, Law Enforcement, and Border Security: Counterterrorism investigations, crisis responses, and border security capabilities were limited by local capacity and a challenging operating environment due to Oman's long and remote borders with Yemen and Saudi Arabia, and its extensive coastline. There was, however, daily communication and coordination among the many agencies with jurisdiction over counterterrorism. Roles and responsibilities between law enforcement and the armed forces are not clearly delineated; however, the Sultan's Special Forces and the Royal Oman Police Special Task Force are Oman's primary entities responsible for counterterrorism.

The Government of Oman recognizes the need to improve its capabilities and takes advantage of U.S. counterterrorism and law enforcement training and assistance. In 2015, the Royal Oman Police Coast Guard, the Directorate General of Customs, and the Royal Army of Oman participated in U.S. Export Control and Related Border Security (EXBS) programs designed to assist Omani personnel in enhancing interdiction capabilities at official ports of entry on land and at seaports, in green border areas, and along the maritime border. Oman participated in a Gulf Cooperation Council (GCC)-wide Regional Workshop on the Development of Strategic Trade Controls hosted by the EU and the Department of State in August, with the goal of harmonizing customs procedures and the regulatory framework within the GCC.

Oman participated in the Department of State's Antiterrorism Assistance program, which included training on maritime border security, cyber security, investigative information management, digital forensics, and critical incident management for Omani security officials representing a number of civilian agencies and the Royal Army of Oman. U.S. Army Central Command conducted a border security seminar in 2015 for Omani military units responsible for patrolling Oman's borders, and several other subject matter expert exchanges with the Royal Oman Police, Coast Guard, and Royal Oman Police-Special Task Force.

Omani authorities continued to make progress on construction of a fence along the border with Yemen to deter entry into Oman without inspection along the long and remote border.

The major deterrents to more effective law enforcement and border security are limited resources, nascent interagency coordination, and the need for continued training to develop advanced law enforcement skills. Oman's border with Yemen, which features extremely rugged, mountainous terrain, further challenges border security efforts.

Countering the Financing of Terrorism: Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF). In April, Oman hosted the 21st meeting of the MENAFATF. Local media reported that in February, Oman signed a legal and judicial assistance agreement with the Government of India, aimed at improving cooperation on investigations, prosecutions, and counterterrorism efforts.

In January, Oman, represented by the National Committee for Combating Money Laundering and Terrorist Financing, began the second phase of a technical cooperation program with the International Monetary Fund, subsequent to an IMF delegation's visit to Oman.

Countering Violent Extremism: The Grand Mufti of Oman, Sheikh Ahmed al-Khalili, published an essay in October 2014, calling on all Muslims to reject extremism and promote tolerance – themes he again amplified in his popular and widely broadcast weekly television program. In March, al-Khalili met with Dr. Abdullah bin Mohammed bin Ibrahim al Shaikh, Chairman of the Shura Council of Saudi Arabia, to discuss the importance of discarding violence and fanaticism and promoting tolerance and presenting a tolerant picture of Islam. Additionally, the government continued to promote an advocacy campaign entitled "Islam in Oman" designed to encourage tolerant and inclusive Islamic practices. The project highlighted the commonalities between Islam's sects and between Islam and other religions. A Ministry of Endowments and Religious Affairs program titled "Tolerance, Understanding, Coexistence – Oman's Message of

Islam” was part of the government’s effort to enhance interfaith dialogue. The nature and scope of Oman’s initiatives to address domestic radicalization and recruitment to violence are unknown, but it is suspected that Oman maintains tightly controlled and non-public CVE initiatives in this area.

International and Regional Cooperation: Oman participates in the U.S.-GCC Strategic Cooperation Forum, and took part in the August U.S.-GCC Counterterrorism and Border Security Working group meeting in Riyadh. Oman regularly votes in favor of counterterrorism measures in the UNGA, the Arab League, the GCC, and the Organization for Islamic Cooperation.

International Sanctions

Oman is not currently subject to any International Sanctions

Arab League Sanctions

The Arab League (comprising 22 Arab member states), of which Lebanon is a member, has approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

It should be noted that Lebanon, and Iraq, have refused to impose the sanctions.

The Arab League also imposes various financial sanctions on Israel.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	45
World Governance Indicator – Control of Corruption	63

Extract from US State Department Report

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 “non-discrimination” obligations. Bidders are requested to be present at the opening of bids, local media typically report on announcements of shortlists and contract awards, 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, though they do sit on boards of state-owned enterprises such as the national carrier Oman Air. However, many influential figures in government such as directors and undersecretaries maintain private business interests and some are also involved in private-public projects. Senior government officials are required to file annual financial disclosure reports. 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.”

The Omani government vigorously prosecuted in 2013 and 2014 cases of bribery involving company officials of parastatal corporations in Oman’s oil and gas sector. Both Omanis and expatriates have been sentenced to lengthy prison terms and heavy fines, demonstrating the seriousness of the government’s efforts to eradicate corrupt practices in the oil and gas sector. 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 Cabinet reshuffle after the protests in early 2011 and the State Audit Institution, renamed the “State Financial and Administrative Audit Institution” (SFAAI) was granted expanded powers under Royal Decree 27/2011. In 2013 and 2014, multiple

convictions of expatriates and Omanis followed investigations into public tenders granted after bribes were given to officials and members of the Tender Board.

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 conflicts of interest 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 thus far under audit is 160 government units, with 25 percent audited in 2011 and plans to reach 80 percent by 2015.

The Omani Government has in place a number of laws targeting bribery and corruption, specifically in the public sector. Gifts and considerations in this respect would fall under the purview of anti-bribery and anti-corruption laws. Although the definition of a "gift" is not provided by the Omani legislature, nor does it define at what value a gift would be considered a "bribe," the Omani Penal Code offers a short illustration of what constitutes bribery: "Any person who accepts a bribe for himself or for another person, be it in cash or a present or a promise or any other benefit for performing a lawful act of his duties, or for forbearing to do it or delaying its execution."

In the attempt to prevent and eradicate corruption in the Sultanate of Oman, Sultan Qaboos issued Royal Decree 64/2013 ratifying the Sultanate in joining the United Nations Convention Against Corruption (the "UNCAC"). The Royal Decree was published in the Official Gazette and is effective from November 20, 2013. The UNCAC is known as the first global legally binding international anti-corruption instrument and it comprises 71 Articles divided into 8 Chapters. The UNCAC requires member countries such as Oman to implement several anti-corruption measures in the public, private and judiciary spheres.

The Sultanate has the following national legislation in place to deal with corruption in public and private sectors:

The Law for the Protection of Public Funds and Avoidance of Conflicts of Interest (the "Anti-Corruption Law") (promulgated by Royal Decree 112/2011); and

The Omani Penal Code (promulgated by Royal Decree 7/1974).

The Anti-Corruption Law predominantly concerns employees working within the public sector. It is also applicable to private sector companies if the Government holds at least 40% shares in the company or in situations where the private sector company has punishable dealings with Government bodies and officials. The Omani Penal Code is the other key legislation which defines and penalizes bribery and targets corruption in the private sector.

A lack of domestic whistleblowers legislation in Oman has resulted in the private sector taking the lead in enacting internal anti-bribery and whistleblowing programs. Omani and international companies doing business in Oman that plan on implementing anti-corruption measures will likely find it difficult to do so without also putting in place an effective whistleblowing program and a culture of zero tolerance.

In 2013, the State Financial and Administrative Audit Institution (SFAAI) introduced several whistleblowing approaches, including the ability to directly report complaints by visiting SFAAI headquarters in Muscat or any of its branches in the governorates; a toll-free hotline at 80000008; or through its electronic complaint window (<http://www.sai.gov.om/en/Complain.aspx>) and smartphone applications.

Section 3 - Economy

Oman is a middle-income economy that is heavily dependent on dwindling oil resources. Because of declining reserves and a rapidly growing labor force, Muscat has actively pursued a development plan that focuses on diversification, industrialization, and privatization, with the objective of reducing the oil sector's contribution to GDP to 9% by 2020 and creating more jobs to employ the rising numbers of Omanis entering the workforce. Tourism and gas-based industries are key components of the government's diversification strategy. However, increases in social welfare benefits, particularly since the Arab Spring, will challenge the government's ability to effectively balance its budget if oil revenues decline. By using enhanced oil recovery techniques, Oman succeeded in increasing oil production, giving the country more time to diversify, and the increase in global oil prices through 2011 provided the government greater financial resources to invest in non-oil sectors. In 2012, continued surpluses resulting from sustained high oil prices and increased enhanced oil recovery allowed the government to maintain growth in social subsidies and public sector job creation. However, the Sultan made widely reported statements indicating this would not be sustainable, and called for expanded efforts to support SME development and entrepreneurship. Government agencies and large oligarchic group companies heeded his call, announcing new initiatives to spin off non-essential functions to entrepreneurs, incubate new businesses, train and mentor up and coming business people, and provide financing for start-ups. In response to fast growth in household indebtedness, the Central Bank reduced the ceiling on personal interest loans from 8 to 7%, lowered mortgage rates, capped the percentage of consumer loans at 50% of borrower's salaries for personal loans and 60% for housing loans, and limited maximum repayment terms to 10 and 25 years respectively.

Agriculture - products:

dates, limes, bananas, alfalfa, vegetables; camels, cattle; fish

Industries:

crude oil production and refining, natural and liquefied natural gas (LNG) production; construction, cement, copper, steel, chemicals, optic fiber

Exports - commodities:

petroleum, re-exports, fish, metals, textiles

Exports - partners:

China 31.9%, Japan 12.9%, UAE 10.1%, South Korea 10%, Thailand 4.4%, Singapore 4.4% (2012)

Imports - commodities:

machinery and transport equipment, manufactured goods, food, livestock, lubricants

Imports - partners:

UAE 23.6%, Japan 12.6%, India 8.5%, China 6.4%, US 6.1% (2012)

Banking

Oman's banking sector consists of 17 licensed local and foreign commercial banks and two specialized banks. Some local banks have significant foreign shareholders, with expatriates in senior positions. The banks are subject to close supervision by the Central Bank of Oman (CBO), which regulates and licenses private banks, monitors interest rates, and issues development bonds and notes. The CBO raised its minimum capital requirements in recent years, forcing several bank mergers. Foreign banks find CBO requirements to maintain a 12 percent level of capital adequacy and restrict consumer lending to 40 percent of the bank's overall loan portfolio to be onerous.

Stock Exchange

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, and the majority of businesses remain family enterprises. Therefore, private firms have not developed sophisticated defence mechanisms to prevent hostile takeovers.

Executive Summary

Oman's investment climate is conducive to U.S. investment. Omani officials and businesspeople generally value U.S. technology, skills, and expertise in a wide range of fields, appreciate U.S. firms' reputation for reliable, transparent business practices, and are keen to leverage U.S. business models, corporate values, and entrepreneurial culture in order to take fuller advantage of the United States-Oman Free Trade Agreement (FTA). American firms enjoy special privileges under the FTA, namely duty exemptions, national treatment, and non-discrimination in government procurement. However, persistent lack of compliance by Omani Customs to FTA Article 4 regarding duty exemption for eligible U.S. goods transhipped by road via Dubai as well as the imposition of a new "In Country Value" program, as of January 1, 2014, promoting local sourcing in the oil and gas sector, remain areas of concern in an otherwise positive operating environment for U.S. investors. In addition, mandatory Omanization hiring quotas for Omani nationals and scarcity of gas for new manufacturing projects posed challenges for U.S. investors.

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, wide array of 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;

The steady and ambitious investment by the Government of Oman in the country's infrastructure, including manufacturing free zones, seaports, airports, rail, and roads, as well as in its health care and educational systems and facilities.

Foreign investment is increasing in Oman as international firms recognize the growing opportunities related to the Sultanate's massive infrastructure investment program. The investment climate is improving, with a major anti-corruption campaign starting in the summer of 2013, which investigated, convicted, and sentenced unprecedented levels of high-profile local officials and executives, previously considered "untouchable." Non-oil economic growth stood at 8% last year, reflecting major infrastructure-related activity and the Sultanate's success in promoting downstream manufacturing in its free zones.

1. Openness To, and Restrictions Upon, Foreign Investment

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, branded as “Ithraa” as of 2014)) 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 environmental permitting and expatriate worker visa approvals.

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 for cross-border service providers in the areas of communications, express delivery, computer-related technologies, health care, and distribution, among others. By contrast, non-American service providers such as engineering consultancies must be at least 30 percent owned by an Omani who is currently practicing in the specialized field with a relevant degree 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 2011, Oman also began to enforce a new directive limiting customs clearing and forwarding activities to Omani and GCC citizens, contrary to the FTA.

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 30 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. In 2014, MOCI announced plans to review existing companies to ensure compliance with capitalization minimums and Omanization goals.

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’s Immigration Directorate. To speed the approval process, MOCI houses a “One-Stop-Shop” where representatives from relevant ministries are present to receive inquiries, forms, and applications.

While the FTA does not address taxation, 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. 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.

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.

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. Current requirements include:

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.

Submit a certificate from the Commercial Registration stating that no other Company is registered in Oman under the same proposed commercial name.

Prepare the Articles of Association/Incorporation of the proposed Company, according to its legal type.

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.

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.)

Omani proportion in the Capital and share of profit should not be less than 35 percent. (Note: US Companies exempted under FTA.)

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.

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.

Written approvals must be obtained from the appropriate government departments concerned with the proposed activities.

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.

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 47th, placing well above the Middle East and North African (MENA) average of 98th, 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 83rd. 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 32nd 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 45th 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."

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
Transparency International Corruption Perceptions index	2013	(61 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(48 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report: "Ease of Doing Business"	2013	(47 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(80 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2011	USD \$19,450	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

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 publicly stated that it is committed to maintaining the current peg. The GoO has publicly stated it will not join a 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.

3. Expropriation and Compensation

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. (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 does not address land ownership.)

4. Dispute Settlement

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 may be taken up by a Court of Appeal. Parties may also 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.

Oman has written and consistently applied commercial and bankruptcy laws. However, insolvency laws currently allow 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. Omani law (Royal Decree 55/1990) also provides for arrest and imprisonment in many bankruptcy cases. 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. Under Omani law, stopped payments on checks can be regarded as fraud, and American business managers have been jailed for this crime in the past.

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. 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.

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. 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.

Many corporate entities in Oman are increasingly turning to arbitration to resolve their disputes as it is considered to be a more efficient and reliable mechanism. An arbitral award is usually rendered in Oman within 12 months of the aggrieved party stating in writing that a dispute has arisen. In contrast, court processes can often be much lengthier, particularly where technically complex issues are involved. The fact that cases normally go through three tiers of justice (Primary, Appeal and Supreme) also naturally means a longer process.

The Omani Arbitration Law (Royal Decree 47/97 as amended) defines the term "Arbitration" as a dispute resolution mechanism agreed to by parties of their own volition. Usually, the parties will state in their initial contract that any dispute will be resolved by arbitration pursuant to, for instance, Omani Arbitration Law. The Law mandates that an arbitration agreement should be in writing. It is also permissible for parties to agree in writing, once a dispute has arisen, that it will be resolved by arbitration. In such cases, however, the agreement has to specify the underlying issues that the parties have agreed to resolve by arbitration.

Pursuant to the Conciliation and Settlement Law (Royal Decree No. 98 of 2005), parties may refer a dispute to the Committee for Conciliation and Settlement by submitting an application, free of charge, before a reference is made to the courts. The Committee shall attempt to settle the dispute within 60 days from the date of application to the Committee; however, this period may be extended for a further period of not more than 30 days upon the agreement of parties. If settlement is achieved, the Committee will prepare a report to be signed by all parties, which then can be enforced in the same manner as a final judgment of a court. Parties to a dispute are also free to explore mediation themselves through the appointment of a professional mediator.

5. Performance Requirements and Investment Incentives

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 renewable tax holiday;

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 for mechanized assembly and packaging operations.

Omani and American-owned commercial enterprises, as well as 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 implemented an In Country Value as of January 1, 2014, that incorporate metrics for local supply into contract evaluations, alongside commercial and technical considerations. Foreign investors have access to local and foreign exchange for export finance. Offsets on civilian government procurements 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 enhanced enforcement of a provision of the Tender Law requiring at least 10% of any project to be subcontracted to local SME's.

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

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.

Low interest loans to industrial firms from the Oman Development Bank.

Exemption from customs duties on imports of equipment and raw materials required for production purposes. (Note: this has been legally challenged by U.S. and foreign competitors.)

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 has been challenged by foreign competitors under WTO rules.)

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.

Planned and serviced industrial plots for setting up factories.

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.

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

6. Right to Private Ownership and Establishment

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.

7. Protection of Property Rights

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 provides a strong legal framework for intellectual property rights protection and respects the sanctity of patents, trademarks, and copyrights. However, enforcement has been poor since the Public Authority for Consumer Protection (PACP) was established in 2011, which transferred all case inspectors from the Ministry of Commerce's IPR Directorate to the PACP to conduct investigations on consumer safety-related cases only. Hence, since 2011, cases of counterfeit automotive parts and other consumer products directly affecting consumer health and safety

have been vigorously prosecuted in Oman, but U.S. and other companies have experienced difficulty getting responsible agencies, including the Public Prosecution, the Ministry of Commerce and Industry (MOCI), and the Royal Oman Police (ROP), to take enforcement action on other types of trademark counterfeit cases and copyright piracy cases. According to recent Business Software Alliance surveys, more than 60% of software in Oman is pirated, representing a commercial value of \$33 million.

PACP officials have officially confirmed that they do not accept responsibility for complaints arising from brand-owners; they only take action on consumers' complaints. The Ministry of Legal Affairs also confirmed that Oman's 2008 Copyright Law stipulates that the MOCI shall be responsible for IPR enforcement at the retail level, including inspections and seizures of counterfeit and piratical goods. As such, in 2014, the U.S. government, along with a private sector working group, officially urged the Minister of Commerce to take steps to address the gap and establish an administrative IPR enforcement team within MOCI.

After revising its intellectual property laws to comply with its FTA obligations, Oman now offers increased IPR protection for copyrights, trademarks, trade secrets, geographical indications, and patents. FTA related revisions to IPR protection in Oman build upon the existing IPR regime, already strengthened by the passage of WTO-consistent intellectual property laws. The FTA's chapter on IPR can be found at: <http://oman.usembassy.gov/fta-texts.html> .

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 must be registered and noted in the Official Gazette through the MOCI. Local law firms can assist companies with the registration of patents and 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. Trademarks are valid for ten years while patents are generally protected for twenty years. As "literary works", software and audiovisual content is protected for the life of the author plus fifty years.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders:

Embassy point of contact: muscatcommercial@state.gov

Local lawyers list: http://oman.usembassy.gov/attorney_information.html

- Ministry of Commerce and Industry– Department of IPR Enforcement

- Director of Intellectual Property
- Ahmed Al Saidi
- Tel: +968-9942-1551
- Fax: +968-2481-2030
- E-mail: saidy3916@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 ; khaalfarsi@gmail.com
- Web: <http://www.mocioman.gov.om/>
- Oman Chamber of Commerce & Industry
- Director General
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- Fax: +96-2479-1713
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- Web : www.uspto.gov
- United States Trade Representative
- IPR Director for Middle East
- Elizabeth Kendall

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- Web : <http://www.ustr.gov>
- U.S. Department of Commerce – International Trade Administration
- IPR Lawyer
- Kevin Reichelt

- Tel: +1-202-482-0879
- E-Mail: Kevin.reichelt@trade.gov
- Web:www.trade.gov/cs/

8. Transparency of the Regulatory System

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 expatriate labor approvals and mining and environmental permits, 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.

The government occasionally publishes proposed laws and regulations for public comment, particularly laws that may affect the private sector. There has been a move in recent years towards greater transparency in telecommunications, securities, and corporate governance of publicly traded companies.

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.

9. Efficient Capital Markets and Portfolio Investment

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 and project financing resources is open to Omani firms with 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. Publicly traded firms in Oman are still a relatively new phenomenon, (the Muscat Securities Market was founded in 1988) and the majority of businesses are private 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. Foreign businesspeople must have a residence visa or an Omani commercial registration to open a local bank account. 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.

10. Competition from State-Owned Enterprises

As part of its "Vision 2020," Oman has been a regional leader in the privatization of utilities, especially power, water and waste management. In a public offering in 2014, the government sold off a portion of its stake in Omantel, one of Oman's two primary telecommunication providers. 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 aviation and infrastructure development. Board membership of SOEs is composed of various government officials, with a senior official, usually cabinet-level, serving as chairperson.

Oman has two main 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. Many of the smaller wealth funds and pension funds actively invest in local projects.

11. Corporate Social Responsibility

There is a general awareness of corporate social responsibility (CSR) among businesses in Oman. Companies routinely host competitions in elementary and secondary schools for academic performance and artistic skill; and 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.

12. Political Violence

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.

13. Corruption

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 "non-discrimination" obligations. Bidders are requested to be present at the opening of bids, local media typically report on announcements of shortlists and contract awards, 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, though they do sit on boards of state-owned enterprises

such as the national carrier Oman Air. However, many influential figures in government such as directors and undersecretaries maintain private business interests and some are also involved in private-public projects. Senior government officials are required to file annual financial disclosure reports. 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.”

The Omani government vigorously prosecuted in 2013 and 2014 cases of bribery involving company officials of parastatal corporations in Oman’s oil and gas sector. Both Omanis and expatriates have been sentenced to lengthy prison terms and heavy fines, demonstrating the seriousness of the government’s efforts to eradicate corrupt practices in the oil and gas sector. 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 Cabinet reshuffle after the protests in early 2011 and the State Audit Institution, renamed the “State Financial and Administrative Audit Institution” (SFAAI) was granted expanded powers under Royal Decree 27/2011. In 2013 and 2014, multiple convictions of expatriates and Omanis followed investigations into public tenders granted after bribes were given to officials and members of the Tender Board.

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 conflicts of interest 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 thus far under audit is 160 government units, with 25 percent audited in 2011 and plans to reach 80 percent by 2015.

The Omani Government has in place a number of laws targeting bribery and corruption, specifically in the public sector. Gifts and considerations in this respect would fall under the purview of anti-bribery and anti-corruption laws. Although the definition of a “gift” is not provided by the Omani legislature, nor does it define at what value a gift would be considered a “bribe,” the Omani Penal Code offers a short illustration of what constitutes bribery: “Any

person who accepts a bribe for himself or for another person, be it in cash or a present or a promise or any other benefit for performing a lawful act of his duties, or for forbearing to do it or delaying its execution.”

In the attempt to prevent and eradicate corruption in the Sultanate of Oman, Sultan Qaboos issued Royal Decree 64/2013 ratifying the Sultanate in joining the United Nations Convention Against Corruption (the “UNCAC”). The Royal Decree was published in the Official Gazette and is effective from November 20, 2013. The UNCAC is known as the first global legally binding international anti-corruption instrument and it comprises 71 Articles divided into 8 Chapters. The UNCAC requires member countries such as Oman to implement several anti-corruption measures in the public, private and judiciary spheres.

The Sultanate has the following national legislation in place to deal with corruption in public and private sectors:

The Law for the Protection of Public Funds and Avoidance of Conflicts of Interest (the “Anti-Corruption Law”) (promulgated by Royal Decree 112/2011); and

The Omani Penal Code (promulgated by Royal Decree 7/1974).

The Anti-Corruption Law predominantly concerns employees working within the public sector. It is also applicable to private sector companies if the Government holds at least 40% shares in the company or in situations where the private sector company has punishable dealings with Government bodies and officials. The Omani Penal Code is the other key legislation which defines and penalizes bribery and targets corruption in the private sector.

A lack of domestic whistleblowers legislation in Oman has resulted in the private sector taking the lead in enacting internal anti-bribery and whistleblowing programs. Omani and international companies doing business in Oman that plan on implementing anti-corruption measures will likely find it difficult to do so without also putting in place an effective whistleblowing program and a culture of zero tolerance.

In 2013, the State Financial and Administrative Audit Institution (SFAAI) introduced several whistleblowing approaches, including the ability to directly report complaints by visiting SFAAI headquarters in Muscat or any of its branches in the governorates; a toll-free hotline at 80000008; or through its electronic complaint window (<http://www.sai.gov.om/en/Complain.aspx>) and smartphone applications.

14. Bilateral Investment Agreements

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.

15. OPIC and Other Investment Insurance Programs

Oman is eligible for Export-Import Bank of the United States (EX-IM) 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. In addition, the independent Export Credit Guarantee Agency of Oman, a closed stock company, extends credit insurance, guarantees and financial support to Omani exporters, though its limit is \$1 million per transaction. 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.

16. Labor

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. The labor law and subsequent regulations also detail requirements for occupational safety and access to medical treatment. 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, at the time, about 100 unions were registered, covering both Omanis and expatriates. There are now almost 200 unions in Oman's private sector; Oman's labor law does not provide for unionization in the public sector. Collective bargaining, settlement of labor disputes and peaceful strikes is governed by the Labor Law (promulgated by Royal Decree 35/2003, as amended) (the "Labor Law") and Ministerial Decision 294/2006 (the "MD") which was issued pursuant to the Labor Law. The Labor Law and MD provide that the employees' have the right to hold peaceful strikes in order to demand betterment of working conditions. However, strikes held by employees working in enterprises providing essential services are considered illegal.

While unions appear to be making strides in their advocacy efforts for workers, management in major industrial zones remains frustrated with ambiguity in the labor law. For example, business leaders in Salalah note that the labor code was written for traditional retail and office jobs. The industrial jobs that dominate Salalah's economy require different (and technically illegal) hours and schedules, leaving these workers in a legal limbo, without clear coverage by the law. In 2013, Civil Aviation contacts complained about Muscat airport workers striking over personnel issues such as promotions, parking spots, and bonuses. In early 2014, an American manufacturer in Salalah Free Zone experienced a strike by Omani employees upset over the dismissal of a union leader; according to the company, the employee had been fairly and legally terminated

after several warnings about performance. Management also noted that workers ask for concessions and privileges given to the public sector (housing allowances, free loans, and generous pensions, for example). 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.

While there is no statutory provision that defines employer's rights and the formation and operation of trade unions, it is important to note the following:

The Omani labor law provides that a trade union/labor federation/general federation have the right to freely practice their activity without interference in their affairs or exerting influence.

No company/establishment can dismiss or otherwise punish a worker's representative in the trade union/labor federation/general federation by reason of exercising trade union activities.

In the event of collective negotiations being conducted between a company/establishment and the representatives of a trade union, the company is obliged to provide necessary data and information to conduct the negotiation.

While the negotiation between a company and the representatives of a trade union are ongoing, any measures or decisions taken by the company shall be considered unlawful.

In the event that a collective labor agreement is concluded between a company and trade union, in accordance with Article 5 of Ministerial Decision 294 of 2006, it is the employer's responsibility to display the collective labor agreement prominently at the work place.

On March 31, 2013, the Ministry of Manpower (MoM) issued a decision amending some articles of the Labor Law in order to speed up negotiations between employees and employers and avoid work stoppage from strikes.

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 after the 2011 “Arab Spring” include:

If the ownership of a project, partially or wholly, changes hands, the new owner must continue to employ the previous Omani workforce at its previous salaries;

Direct deposit receipt is the only proof of payment of salary;

30 days annual paid leave (up from 15) after six months of continuous work (down from one year) and six days of 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; *(Note: Many service-based employers fail to comply with this provision, though local legal analysts report double pay or accumulation of annual leave is allowable in lieu of the second rest day.)*

Women may not be required to work between the hours of 9:00 p.m. to 6:00 a.m. (previously 7:00 p.m. to 7:00 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.

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 rising to \$845 as of July 1, 2013.

In fact, many companies were instructed to implement the rate immediately 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 was 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.

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 in order to ensure wages keep up with inflation. 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.

The 2014 edition of "Employment and Salary Trends in the Gulf," released on March 17 by the online recruitment firm GulfTalent, shows that Oman is leading the GCC in wage growth, with an 8% expected increase in average private sector wages for the year. (Aon Hewitt estimated a 5.6 percent increase.) In its annual compensation and benefits report for Oman, Hay Group noted 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. Hay Group's report noted 21 percent of employees moved up a salary grade, and that pay raises stand well above inflation (officially reported at only 1.2 percent for 2013), indicating an increase in disposable income. 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.

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 recalculated per the Labor Law.

In late 2013, the Ministry of Manpower issued a Ministerial Decision permitting employers in the private sector for the first time to recruit Omani employees on a part-time basis. The Ministerial Decision states that an employer may hire a part-timer under the following conditions:

The work hours should not exceed four hours per day;

The wage per hour should not be less than RO 3;

Part-time jobs are confined to Omani nationals;

The part-timer is also known as "job seeker;" therefore, those aged 16 are only permitted to work between 6:00 a.m. and 6:00 p.m.; and

Part-timers' ratio is not more than ten per cent of the Omanization ratio.

Employment on a part time basis is restricted to private institutions practicing activities such as sale of food commodities; petrol filling; hotels, restaurants and coffee shops; sale of electronic and electrical devices; stores; automobile agencies; farming; exchange agencies; child and elderly care; travel and tourism agencies; tour guides; driving; educational and medical services.

Terminating a worker for non-performance is difficult but not impossible. 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 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 Labor Law, an employer may dismiss the employee without prior notice and without end-of-service benefit in any of the following cases:

If he assumes a false identity, or if he resorts to forgery to obtain the employment;

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;

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 harm to the employees;

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;

If he discloses any secrets relating to the establishment in which he works;

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;

If he is found during working hours in a state of drunkenness or was under the influence of an intoxicating drug or mental stimulus;

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

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 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. The Labor Law provides for, but does not require, a three month probationary period, during 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).

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 more than 80 percent of the public sector's labor force while less than 20 percent of the private workforce is Omani. Organizations with more than 50 employees are expected to set aside the following 100 percent "Omanized" positions for citizens: HR Manager, Security Officers, Secretarial / Administrative Clerks / Receptionists, Public Relations Officers, and Drivers. 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. Omanization targets were again increased as of March 1, 2014.

Current Omanization rates for selected sectors are as follows:

Information Technology:

- Senior Management 9 percent
- Sales and Marketing 100 percent
- Technical Support and Infrastructure 15 percent
- Applications and Services Development 15 percent
- Engineers 25percent

- Draftsman 70 percent
- Material Supervision 45 percent
- Land Survey 80 percent
- Accountants 60 percent
- 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. The Ministry of Manpower will not issue expatriate labor clearances 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. U.S. companies are not exempt from Omanization requirements under the FTA, despite 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 Omani 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 on companies that don't achieve targets. These fines can reach 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, including deportation, 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 percent believed that Oman's tertiary and vocational education system generally meets the needs of the business community. A 2012 Oman American Business Council survey similarly cited workforce quality as the top challenge to doing business in Oman.

In 2014, the Ministry of Manpower issued Ministerial Decisions raising Omanization quotas in certain professions including: carpentry, metalworking, brickmaking, janitorial services, construction, automotive, debt collection, cashiering, and shop-keeping. There were exceptions for establishments registered under the excellent grade and international grade categories, as well as local companies complying with labor laws. In early 2014, Ministry of Manpower officials acknowledged that work permits for expatriate women would be suspended through

November 2014 unless sponsoring companies could secure a waiver from the relevant ministry demonstrating unique circumstances required an expatriate female worker to fill the position.

17. Foreign Trade Zones/Free Ports

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.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to the National Center for Statistics and Information (NCSI), the total volume of foreign direct investment (FDI) into Oman stood at RO6.48bn (USD16.83bn) as of 2012, registering a growth of 9.6 per cent compared with RO5.9bn at the end of 2011. FDI flows into Oman surged 41 per cent in 2012 to RO570mn (USD1.47bn) from RO404mn in 2011. Total FDI volume as a percentage of GDP in 2012 - at RO30bn (or USD 77bn) - was 21.6 per cent. The oil and gas exploration sector received FDI of RO3.07bn (USD7.97bn) as of 2012 and remained the largest beneficiary of investment flows into the country, accounting for 46.4 per cent of the total. With a share of 18.3 per cent, manufacturing was next in terms of attracting FDI, receiving RO1.34bn as of 2012. With total FDI of RO914mn, the financial intermediation sector stood third, accounting for 15.5 per cent of the total FDI. The UK was the largest contributor, injecting total FDI worth RO2.29bn (USD5.95bn) as of 2011, and accounting for a 38.7 per cent share. UAE was the second biggest contributor, followed by the US and India. The UK and the US dominated in terms of FDI flows into oil and gas exploration, while the manufacturing and construction sectors were dominated by UAE and India. GCC countries dominated FDI in the real estate and renting businesses.

Total foreign investment, including FDI, foreign portfolio investments (FPI), financial derivatives and other foreign investments, in the sultanate stood at RO12.71bn (USD32.98bn) at the end of 2011 against RO11.52bn in 2010.

FDI accounted for 46.5 percent of total foreign investment as of 2011, while other foreign investments and foreign project investment accounted for 49.7 percent and 3.2 per cent, respectively.

Major foreign investors that have entered the Omani market recently include BP (UK), Sembcorp (Singapore), Daewoo (Korea), LG (Korea), Veolia (France), Huawei (China), SinoHydro (China), and Vale (Brazil).

TABLE 1: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP)	2013	\$94,86bn	2012	\$78.11bn	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country	2012	\$631	2012	630.4	(BEA) click selections to reach. <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States	N/A	N/A	2011	\$1.3bn	(BEA) click selections to reach <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as	2011	0.80	N/A	N/A	

% host GDP (<i>calculate</i>)					
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* All host country statistical data from the National Center for Statistics and Information.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

International organization participation:

ABEDA, AFESD, AMF, CAEU, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (NGOs), IDA, IDB, IFAD, IFC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OIC, OPCW, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Legal system:

Mixed legal system of Anglo-Saxon law and Islamic law

Exchange control

There are no exchange controls in any form on inward or outward investment or on repatriation of capital or profits, either by nationals or expatriates.

Foreign tax relief

Sultanate of Oman has entered into agreements for the avoidance of double taxation (DTA) and the prevention of avoiding income tax with France, India, Tunisia, United Kingdom, Mauritius, Italy, Pakistan, Algeria, Lebanon, China, Yemen, South Africa, Sudan, Seychelles, Iran, Canada, Turkey, Syria, Republic of South Korea, Singapore Thailand, Uzbekistan, Belarus, Brunei, Netherlands, Maldives, Vietnam, Belgium, Malaysia and Croatia.

Currently, most of the foreign airlines carrying on business through establishment in Oman are exempted from income tax either through comprehensive DTAs or through limited DTAs. The foreign airlines which earn income through establishment in Oman, and which do not have comprehensive DTAs or limited DTAs, would be exempted from tax effective from 1 January 2003 provided reciprocal tax exemption is granted in the airline's home country. The countries whose airlines have signed agreements for tax relief are India, Kuwait, Jordan, Netherlands, Tanzania, Sri Lanka, Iran, Singapore, Sweden and Switzerland.

Tax credit is unilaterally allowed by certain countries, e.g. the UK, USA and Germany in respect of tax paid by foreign business entities in Oman, on satisfaction of certain conditions.

Income earned overseas by a PE (permanent establishment) in Oman will be taxed in Oman. Corresponding tax credit in Oman will be given to the extent of Omani tax i.e. 12% or foreign tax paid on that income whichever is lower.

Treaty and non-treaty withholding tax rates

The following rates for royalties apply:

	Royalties (%)
Treaty countries	
Canada	10 ¹
China	10
France	0
India	10
Italy	10

Korea	8
Mauritius	0
Moldova	10
Pakistan	10
Seychelles	10
Singapore	8
South Africa	8
Thailand	10
United Kingdom	8

1 Copyright royalties are not subject to withholding tax under the provisions of this treaty.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti - Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
[PKF International](#))

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