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Oman: Trade Brief*

Trade Policy

Ranked 109th out of 125 countries on the latest Trade (MFN) Tariff Restrictiveness Index (TTRI), Oman's trade regime is one of the most restrictive, substantially more than an average Middle East and North Africa (MNA) or upper-middle-income country. However, Oman's MFN average applied tariff of 5.6 percent in 2007 and its import-weighted tariff is 5.2 percent, both lower than the regional and income group averages. The maximum tariff rate is high at 514.7 percent (applicable on some tobacco products), although only 0.3 percent of its 2005 tariff schedule lines had applied rates exceeding 15 percent. In addition, as judged by their 1999 frequency ratio of 14 percent, nontariff measures are noticeably less common in Oman than in its regional and upper-middle-income comparator groups. MFN duty-free imports accounted for 5.6 percent of Oman's imports in 2006. Since joining the World Trade Organization (WTO) in 2000, Oman has committed to an economic system based on market mechanisms and in recent years has allowed for gradual privatization and opening of services, including telecommunications resulting in one of the lowest overall scores on the General Agreement on Trade in Services (GATS) commitment restrictiveness index (43).

Market Access

According to the latest Market Access TTRI (including preferences), on which it is ranked a high 26th of 125 countries, Oman's access to international markets—both for its manufactures and agricultural exports—is one of the most favorable in the world. This is largely because of low or no barriers faced by its oil and gas exports. In 2006, 57.7 percent of its exports were MFN duty free, up from an average of 6.8 percent in the late 1990s and 33.6 percent in the early 2000s. A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, its preference utilization rate is a high 90 percent, though the value of such preferences were very low at less than 1 percent of total imports. Oman is a signatory to a free trade agreement (FTA) with the United States (2006) and, regionally, is a member of the Pan Arab Free Trade Area (PAFTA) and the Gulf Cooperation Council (GCC).

Behind the Border Constraints

Oman's Doing Business overall rank is 49th, representing a decline from the previous year's rank of 43rd. It outperforms its regional and income group comparators in terms of governance indicators. Surpassing the regional and middle-income group averages on nearly all aspects of the index, Oman ranked 48th (out of 150) on the 2006 Logistics Performance Index. In another proxy for trade facilitation, the Doing Business-Trading Across Borders subcategory, the country is ranked 104th, a decline from the previous year's rank of 95th due to an increase in per container import and export costs. Its 2006 per capita rates for telephones and mobile phones (82 percent) and Internet usage (12.5 percent) are above the regional average but fall below the upper-middle-income average. Oman has significantly improved per capita telephone availability from just 11 percent in the late 1990s. The 2006 secondary school enrollment ratio (88.6 percent) was higher than regional but lower than the upper-middle-income group averages.

*As of April 2008. See the World Trade Indicators 2008 database at http://www.worldbank.org/wti2008.

Trade Outcomes

Oman's real growth in total trade of goods and services was 5.8 percent in 2007, a rate substantially below the MNA and upper-middle-income country group means and consequently Oman is ranked a low 106th out 125 countries in terms trade outcome performance. The rate of growth of imports (11. 4 percent) has been more than six times than the growth rate of exports (1.9 percent). Its trade share in GDP is 103.1 percent, up from 99.4 percent in 2005–06. Services account for just 4.1 percent of total exports; however development of a container transshipment hub is expected to give a boost to services exports. The country's main merchandise exports in 2005 were oil (74 percent) and gas (19 percent) and its main destination markets include China, the Republic of Korea, Japan, and Thailand. Oman's imports are obtained from a wide range of countries including the United Arab Emirates, Japan, the United Kingdom, and the United States and are dominated by machinery and transport equipment, manufactured goods, food, livestock, and lubricants. Foreign direct investment (FDI) inflows as a share of GDP was a relatively low 2.6 percent in 2006.

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