



STRATEGIC POSITION
Recent reforms to laws governing investments have created numerous incentives for foreign companies

OPERATING IN OMAN

As Oman strides towards its “Oman Vision 2020”, it is actively seeking investments – particularly in the tourism, marine, infrastructure, information and communication technology, chemicals, alternative energy and pharmaceutical chemicals sectors, says Lester Lu, regional director in Dubai, Middle East and Africa Group, International Enterprise (IE) Singapore

Why should Singapore firms set up operations in Oman?

Oman is strategically positioned along major shipping lanes in the Indian Ocean, and at the entrance of the Strait of Hormuz – a channel that oversees a third of the world’s seaborne oil trade, 85 per cent of which is bound for Asia. It is the second largest country in the Gulf Cooperation Council (GCC) after Saudi Arabia, and has a gross domestic product (GDP) per capita at slightly over US\$22,000. The country enjoys considerable political stability relative to the other parts of the Middle East, emerging largely unscathed from the 2009 global financial crisis and the 2011 “Arab Spring” uprisings.

While Oman’s oil & gas industry is a major contributor to the local economy, active efforts are being made by the Omani government to diversify the economy. “Oman Vision 2020” is a long-term economic diversification strategy that involves privatisation, industrialisation and increasing the participation rates of locals in the labour market.

As a result, Oman is actively seeking foreign investments, especially in tourism, marine, infrastructure,

information and communication technology (ICT), chemicals, alternative energy and pharmaceuticals. New inflows of foreign direct investments (FDI) registered almost five billion Omani rial (S\$16.4 billion) in 2010, approximately one-fifth of the country’s GDP.

The Omani government is actively developing its infrastructure capacities, including the building of a pan-GCC railway stretching from Salalah in the south to the border of the United Arab Emirates (UAE) in the north-west. An extensive upgrade of its road, rail, air and seaport facilities is also underway, together with various water treatment and power generation projects to facilitate industrial development. Of the 54 billion rial that has been set aside as part of Oman’s Eighth Five-Year Plan, 37.7 per cent has been earmarked for infrastructure development.

Three industrial zones and ports have been chosen for development. These include the expansion of the Sohar free trade zone and port, where there are opportunities for businesses and public-private partnerships. The upcoming development of the Special Economic Zone at Duqm is Oman’s cornerstone development, which aims to transform

Duqm into a petrochemical hub. Apart from oil & gas, the zone also plans to attract light manufacturing industries as well as develop tourism.

What sort of investments is the country hoping to attract, and are there any laws in place that are friendly to such investments?

Recent reforms to laws governing investments have created numerous incentives for foreign companies. They include a five-year tax holiday that is renewable once for an additional five years; no personal income tax or capital gains tax; subsidised facilities and utilities at industrial estates and complete foreign ownership in free zones.

Key sectors which the country hopes to attract include transport & logistics, power generation, tourism, ICT as well as oil & gas.

• **Transport and logistics:** The transport and logistics sectors offer one of the biggest prospects for companies, with over S\$42 billion being set aside for this till 2016. There are plans to expand Muscat International Airport, as well as upgrade Salalah, Oman’s prime port



▼ LOOKING AHEAD

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and transshipment hub. With Singapore's reputation as a world-class air and sea hub at their disposal, Singapore companies are in a good position to bid for government contracts and tenders. They can look into areas such as consultancy, systems integration and project management.

- **Power:** In the coming years, demand for power is predicted to increase by 10 per cent annually. Oman has set aside a sizeable budget for investment, and has called for tenders on various projects to keep pace with heightening demand. There will be opportunities for firms to build, own and operate (BOO) power projects. Singapore firms that are interested can bid for government tenders, especially those in the free zones. Some possible points of entry for firms are grid expansion and upgrading works for various meter reader systems.
- **Tourism:** Tourism is a crucial engine of growth in Oman's economic diversification plan. The government aims to draw on its cultural heritage and natural assets to strongly encourage foreign investment in hospitality, attractions, and meetings, incentives, conferences and exhibition (MICE) centres. In order to generate enough jobs for a rapidly expanding workforce, Oman plans to achieve an average annual sectorial growth rate of 7 per cent. Annual tourist arrivals growth is targeted at five million by 2016 from the current three million. Singapore-based companies have plenty of opportunities along the tourism value chain. The limited stock of tourist infrastructure is generating high demand for reputable entrants to enter the market. Services catering specifically for wealthy Arab tourists is also an expanding sector that companies can look at.
- **ICT:** With the Oman government's move to transform the country through e-government and e-commerce services, its information technology (IT) sector is set to become the fastest area of growth in the coming years. The Knowledge Oasis in Muscat was established to promote technology-orientated investments. It has attracted over 60 international firms with generous incentive packages. The recent liberalisation of the telecommunication sector also presents a possible point of entry for Singapore telecommunication firms as well as many antecedent support services.
- **Oil & gas:** The oil & gas sector continues to be a mainstay of the Omani economy. It contributes over half of GDP, and almost 80 per cent of government revenue. New enhanced oil recovery (EOR) techniques have increased oil production in recent years. Under the Eighth Five Year Plan, the Omani government is looking to upgrade and modernise its ageing oil and

gas infrastructure. Singapore companies can value-add in critical areas such as support services, information systems and downstream petrochemical manufacturing.

What is the process of setting up operations here, and what are the basic costs involved?

Oman is comparable with the other GCC countries in terms of the ease of doing business. It has exceeded the regional average in a number of metrics, including the ease of obtaining credit, registering property and the enforcement of contracts. Registering an entity in Oman takes a minimum of six days and five procedures.

For a limited liability company, the paid-in minimum capital requirement is 20,000 rial, which accounts for 10 times income per capita. Other costs include registering the business with Oman's Ministry of Commerce and Industry (MOCI), Oman's Chamber of Commerce as well as associated municipality fees.

Does Singapore have bilateral agreements in place with Oman, and what are the laws in place to protect foreign investments and the repatriation of profits?

The Singapore-Oman Double Taxation Agreement (DTA) was concluded in October 2003 and entered into force in April 2006. The Singapore-Oman Investment Guarantee Agreement (IGA) was concluded in December 2007 and became effective in August 2009. The IGA helps promote investments between the two nations, and provide businesses and their investments with greater protection and assurance.

Most recently, Singapore has ratified and implemented a free trade agreement (FTA) with the GCC, of which Oman is a member. The GCC-Singapore FTA came into force on Sept 1, 2013.

What other regulations and laws do Singapore firms need to be mindful of, or are useful for foreign firms to know?

- **Omanisation policies:** Omanisation policies mandate the hiring of Omani nationals in companies. Free zones allow lower Omanisation quotas, and are therefore popular entry points for international firms exploring the Oman market.
- **Social Security Law:** All Omani employees holding a full-time position in the private sector are entitled to protection under the Social Security Law. This law ensures insurance coverage against work-related mishaps, and provides benefits in relation to pension schemes, among others. The law mandates that all employers register their Omani employees with the

Public Authority for Social Insurance (PASI) and make the necessary contributions to their accounts. The insurance premium paid for by the employer accounts to 10.5 per cent of the employees' basic salary. On the other hand, the employees contribute 6.5 per cent of their monthly salary in order to pay for their monthly premiums.

- **Land ownership:** Under the Land Law, unless there are special circumstances involved, foreign nationals and companies are generally barred from owning land in Oman. Omani nationals however, are allowed to own land freely, while other GCC nationals may be allowed to own land subject to some conditions. In certain areas designed by the government to be Integrated Tourism Complexes, foreigners are allowed to own real estate.

Are there any social and cultural norms that firms need to be aware of when doing business in the country?

As in all countries, respecting and observing cultural practices are the first steps to ensuring long-lasting relations and business success. Religious sensitivities should be observed when it comes to publicity and advertisements for your business operations, and content kept conservative.

In terms of business etiquette, the Omanis value politeness and formality while handling business. When scheduling for an appointment, they prioritise their guests' convenience.

While Arabic is the official language of Oman, foreigners would have no problems communicating and conducting their business in English, for it is considered their second language. Other languages include Baluchi, Urdu and other Indian dialects.

Any advice and tips you would like to give to companies that are looking to invest here?

Singaporean companies that are interested to invest in Oman should visit the Public Authority for Investment Promotion & Export Development (PAIPED) for more information regarding the regulations and issues surrounding business operations in the country.

Alternatively, for more assistance, they are also welcome to contact IE Singapore's office in Dubai, United Arab Emirates. ■