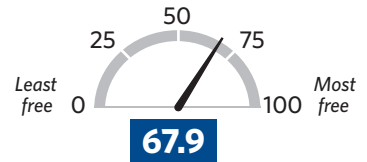


# OMAN

## Economic Freedom Score



World Rank: **47** Regional Rank: **5**

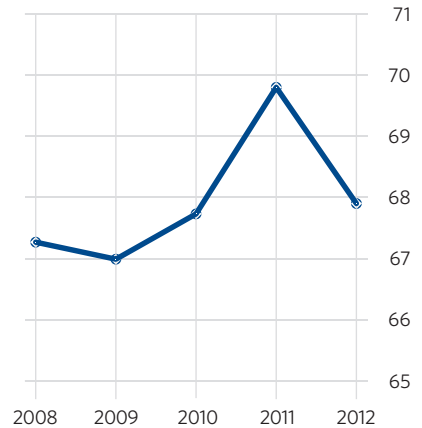
**O**man's economic freedom score is 67.9, making its economy the 47th freest in the 2012 *Index*. Its score is 1.9 points lower than last year, reflecting declines in five of the 10 economic freedoms, including freedom from corruption, labor freedom, and government spending. Oman is ranked 5th out of 17 countries in the Middle East/North Africa region, and its overall score is above the world and regional averages.

Oman's economy has been undergoing modernization. Although the rule of law has been relatively well maintained, the judiciary remains vulnerable to political interference. Overall economic freedom remains constrained by state involvement in the private sector and public enterprises. The lack of market competition has gradually inflated price levels. Reliance on a large state-owned energy sector has left the economy vulnerable to external shocks.

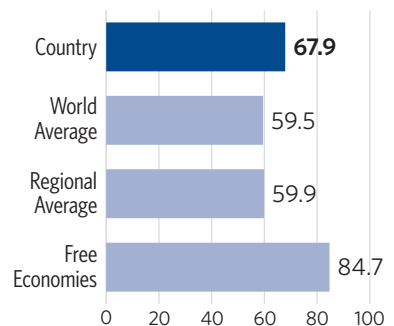
Recognizing the importance of developing a dynamic entrepreneurial environment, the government has acted to diversify economic activity and stimulate broader-based development. Efficiency is improving in the evolving regulatory framework, and tax rates are competitive. Foreign investment is welcome in many sectors, although the approval process can be burdensome.

**BACKGROUND:** In early 2011, activists demanded greater political rights, economic benefits, and action against corruption. Sultan Qabus bin Said responded by changing cabinet ministers, promising political and economic reforms, and committing to create more government jobs. Oman has been trying to modernize its oil-dominated economy without diluting the ruling al-Said family's power. The government seeks to expand exports of natural gas; develop gas-based industries; and encourage foreign investment in petrochemicals, electric power, telecommunications, and other industries. It also places a high priority on its policy of "Omanization" (replacement of foreign workers with local staff) to reduce chronically high unemployment. Oman joined the World Trade Organization in 2000 and signed a free trade agreement with the United States in 2006.

## Freedom Trend



## Country Comparisons



## Quick Facts

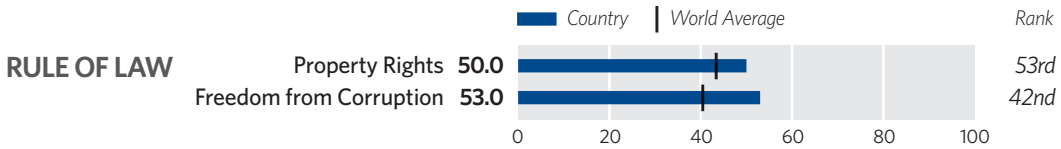
- Population:** 3.0 million
- GDP (PPP):** \$75.8 billion
- 4.2% growth in 2010
- 5-year compound annual growth 6.0%
- \$25,439 per capita
- Unemployment:** 15.0%
- Inflation (CPI):** 3.3%
- FDI Inflow:** \$2.0 billion
- Public Debt:** 5.7% of GDP

2010 data unless otherwise noted.  
Data compiled as of September 2011.

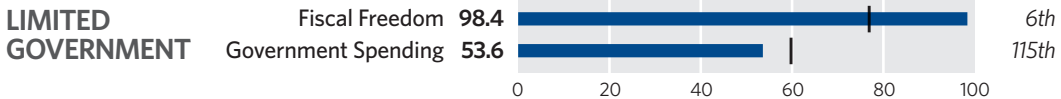
### How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

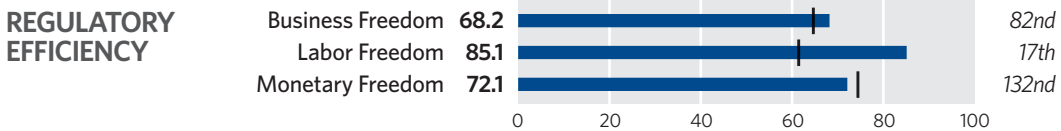
**THE TEN ECONOMIC FREEDOMS**



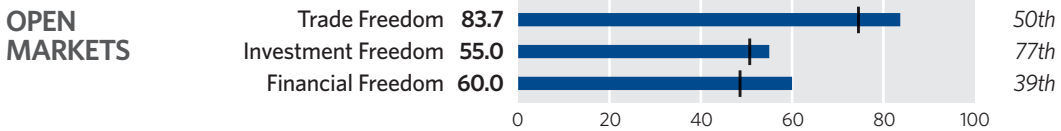
The rule of law has been relatively well maintained, but the judiciary remains vulnerable to political interference. The legal system facilitates transfers of property rights, which are well protected. The threat of expropriation is low. Only Gulf Cooperation Council nationals may own commercial real estate. Enforcement of intellectual property laws has improved. In comparison to other countries in the region, corruption is moderate.



There is no income tax, and the top corporate tax rate is 12 percent. There is no consumption tax or value-added tax (VAT), and the overall tax burden amounts to only 4.2 percent of total domestic income. Government spending has increased to a level equivalent to 39.3 percent of total domestic output. Revenue from the oil sector continues to keep the budget balance in surplus, and public debt remains below 10 percent of GDP.



Oman’s regulatory environment is still evolving. Starting a business takes an average of 12 days, compared to the world average of 30 days, but the required minimum capital is still over twice the average level of annual income. The labor laws enforce the “Omanization” policy that requires private-sector firms to meet quotas for hiring native Omani workers. The state influences prices through an extensive subsidy system.



The trade weighted average tariff rate is modest at 3.2 percent, but complex non-tariff barriers continue to raise the cost of trade. Although foreign investment is welcome, sectoral restrictions can be non-transparent and inconsistent. The state continues to dominate a significant portion of the banking sector. Most credit is offered at market rates, but the government uses subsidized loans to promote investment.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.1	Business Freedom	-1.2	Trade Freedom	+0.1
Freedom from Corruption	-2.0	Government Spending	-14.5	Labor Freedom	-4.0	Investment Freedom	0
				Monetary Freedom	+2.6	Financial Freedom	0