**OMAN**

Oman’s economic freedom score is 61.0, making its economy the 88th freest in the 2019 Index. Its overall score remained the same as in 2018, with higher scores for **government spending**, **government integrity**, **trade freedom**, and **labor freedom** matched by declines in scores for **judicial effectiveness** and five other factors. Oman is ranked 7th among 14 countries in the Middle East and North Africa region, and its overall score is slightly below the regional and world averages.

The government is using enhanced oil recovery techniques to boost production as oil reserves dwindle and is focusing on economic diversification to reduce reliance on hydrocarbons. With businesses complaining frequently about bureaucracy and a cumbersome regulatory environment, the government is cutting red tape to attract investors. A weak legal framework, subsidies, and other forms of favoritism to state-owned enterprises, however, continue to obstruct greater economic freedom.

**BACKGROUND:** Oman, a relatively small oil-producing kingdom that prospered from Indian Ocean trade, is one of the least populous Arab countries. It has been ruled by Sultan Qaboos bin Said Al-Said since 1970. After the Arab Spring protests in 2011, the sultan changed cabinet ministers and implemented reforms by expanding government regulatory and legislative powers. As part of its efforts to decentralize authority and allow greater citizen participation in local governance, Oman conducted its first municipal council elections in 2012. Oman joined the World Trade Organization in 2000 and is heavily dependent on its dwindling oil resources, which generate about four-fifths of government revenue. Tourism, shipping, mining, manufacturing, and gas-based industries are key components of the government’s diversification strategy.
Property rights are well protected, although the judiciary remains subordinate to the sultan and the Ministry of Justice. Anticorruption laws are enforced effectively, but corruption remains a persistent issue. Several high-profile corruption cases involving government officials and state-owned oil company executives have been prosecuted, and many influential government officials have conflicts of interest because of their continued engagement in private business.

There is no individual income tax, and the top corporate tax rate is 12 percent. There are no consumption or value-added taxes. The overall tax burden equals 8.5 percent of total domestic income. Over the past three years, government spending has amounted to 47.4 percent of the country’s output (GDP), and budget deficits have averaged 16.2 percent of GDP. Public debt is equivalent to 44.2 percent of GDP.

The overall freedom to conduct a business remains limited by the inefficient regulatory environment. The nonsalary cost of employing a worker is low, but the labor laws enforce the “Omanization” policy that requires private-sector firms to meet quotas for hiring native Omani workers. Although the government maintains electricity subsidies, cuts in subsidies for petroleum products have led to fuel price increases and rising inflation.

The combined value of exports and imports is equal to 76.8 percent of GDP. The average applied tariff rate is 1.5 percent. As of June 30, 2018, according to the WTO, Oman had 17 nontariff measures in force. There is no general screening of foreign investment. Most credit is offered at market rates, but the government uses subsidized loans to promote investment. The Muscat Securities Market is active and open to foreign investors.