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Foreign Direct Investment Attraction and Impacts in Oman

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List of Abbreviations

CBO	Central Bank of Oman
FDI	Foreign Direct Investment
IFDI	Inward/Inflows Foreign Direct Investment
IMF	International Monetary Fund
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
KOM	Knowledge Oasis Muscat
M&A	Mergers and Acquisitions
MENA	Middle East and North Africa
MNCs	Multinational Corporations
NCSI	Oman National Centre of Statistics and Information
OCCI	Oman Chamber of Commerce and Industry
OFDI	Outward/Outflows Foreign Direct Investment
OLI	Ownership, Location, and Internalisation
SEZ	Special Economic Zone
SEZAD	Special Economic Zone and Duqm
SLR	Systematic Literature Review
SMEs	Small and Medium Enterprises
TNCs	Transnational Corporations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation
Stakeholder Groups	Policy Makers (PM), Free and Industrial Zones (FIZ), Investors (INV), Local Business Community (LBC), Non-Invested (N-INV), and Local Social Community (LSC)

Table 1: List of Abbreviations

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Dedication

This thesis is dedicated to my family, who gave me the spirit to continue, my friends and staff who inspired me to accomplish my mission professionally, and my colleagues and supervisors, who stood behind me and encouraged me to arrive at my destination successfully.

Abstract

A crucial element of Oman Vision 2020 is to enhance Oman's economic development by accelerating the diversification of its economy in order to further reduce its economic dependency on oil. The Omani government has established legal and institutional frameworks to promote Foreign Direct Investment (FDI) as a means for the diversification of various economic activities and established FDI policies intended to sensitize the public and foreign investors. These concerted efforts by the Omani Government have borne fruit, as the Oman National Centre for Statistics and Information (NCSI, 2016) reports that the accumulation of FDI to date has attracted more than $27 billion to the Omani economy, albeit with the oil and gas industry contributing the lion's share of this.

Global competition among developing countries to attract FDI is at a level that international business has not previously witnessed. Governments in developing economies see FDI as a source of economic development and potential foreign investors are lured by a number of factors.

However, despite its undisputable importance, FDI Attraction and Impact is not yet a perfect science but a long-term "trial-and-error" approach which requires a rigorous feedback loop to interpret and build on what has been learnt in a continuous quest to improve FDI Attraction and Impact performance. In this regard, the literature on FDI Attraction and Impact in the Gulf Cooperation Council (GCC), specifically in Oman is, to say the least, bleak and inaccurate.

This empirical study focused on assessing the performance of 39 FDI Attraction and Impact Factors within the Sultanate of Oman, which were specially derived for this study. The aims were to establish a cause-and-effect relationship and generate a set of FDI performance improvement recommendations. To achieve this, the researcher adopted a relativist ontological and interpretivist epistemological position, employing a mixed-use method that incorporated an inductive approach to support the predominantly qualitative methods (with, in limited instances, a positivist philosophy that incorporated a deductive approach to support quantitative methods). Finally, a descriptive research design as part of a case study research strategy was implemented to uncover the factual aspects of the FDI Attraction and Impact phenomenon in Oman.

In total, the study generated ten prioritised improvement recommendations to enhance FDI Attraction and Impact in the Sultanate of Oman. In order of priority (highest to lowest), these are as follows:

- Create and fund private vocational training centres, and offer to subsidise the salaries of Omani employees to fast-track their onboarding by investors and continue their accelerated development through on job training under the “Talent Development”
- Create a dedicated fund for “early stage” SME funding, along with Government incentives in the form of subsidies to promote MNC and SME collaboration, and establish a Centre for Excellence for reliable SMEs to support the offerings of MNCs, all under the “SMEs Ecosystem”.
- Reinforce the role of a central policy making body, mandate the Central Bank to create an ecosystem that is conducive for competitive FDI attraction, and activate reliable data and information centres, all under “Economic Development Policies”
- Encourage Possible Public-Private-Partnership (PPP) models to enhance the scope and quality of delivery of Public Services and Public Healthcare under “Social Infrastructure”

These recommendations for improvement are as comprehensive as they are pragmatic and practical. They will ensure engagement of all concerned stakeholders and be well paced over time to ensure a rapid, yet sustainable improvement in FDI Attraction and Impact performance in the Sultanate of Oman. The researcher will make it his professional life mission to ensure this happens.

Chapter 1: Introduction

1.1. Introduction

The countries that form part of the Gulf Cooperation Council (GCC) have long exhibited a genuine urgency to diversify their respective economies away from oil and gas dependency. One economic driver to achieve this goal has been the attraction of Foreign Direct Investment (FDI). This thesis contributes to the body of knowledge by bringing a perspective on the factors that pertain to FDI Attraction (i.e. factors that influence flows into a given country) and FDI Impact (i.e. the resulting benefits to the country on the receiving end of such FDI flows) in the Sultanate of Oman. The overriding goal was to establish a robust cause-and-effect relationship between FDI Attraction and Impact in Oman in order to then articulate improvement recommendations.

1.1.1 Prevailing Economic Aim in the GCC: Diversify Economies Away from Oil and Gas

The GCC consists of six states: Oman, Saudi Arabia, Qatar, Kuwait, Bahrain, and the United Arab Emirates. All GCC states produce oil, which drives their economies and contributes to approximately 80 percent of their respective governments' revenue (Mishrif, Ashraf and Balushi, 2017).

Given GCC states heavy economic reliance on oil, aspects such as oil reserves and oil utilisation in terms of oil production have a significant impact on FDI flows both into and out of the countries. Also exerting a significant impact are oil prices. This is because a rise in such prices translates into more foreign earnings from oil exports, allowing these countries to develop infrastructure and enhance their openness to trade, hence encouraging FDI flows. Conversely, a fall in oil prices can have negative impacts on FDI in these countries (Mina, 2007). Therefore, GCC states recognise the risk of depending on oil as the primary source of income for national development. As a result, they also realise the importance of economic diversification and have adopted strategies accordingly to achieve high rates of non-oil GDP growth.

In his study of GCC FDI, Al Iriani (2007) concluded that GCC countries would benefit from further adopting policies that attract FDI. He also established a strong link between GCC GDP growth and the attraction of FDI. He argued that due to GCC economic growth, more FDI would be attracted to take advantage of GCC business opportunities.

Until today, the prevailing intent of GCC countries has been to attract FDI. Lopez and Bendix (2020) reported that GCC countries are among the world's wealthiest countries, with per-capita income ranging from USD 41 thousand for Oman to USD 124 thousand for Qatar. Aiming to understand the FDI sector, Albasoos and Al-Khamisi (2021) explored several GCC countries, such as Qatar, and found that they still compete for FDI despite their wealth.

1.1.2 Oman's Economic Dependency on Oil Exports and the Urgent Need to Diversify This

The Sultanate of Oman is located in the South of the Arabian Peninsula. It is a small country with a population of over 3 million. Most people worked in the agricultural, fishing, and trading sectors before the discovery of oil in the 1960s, which changed the country's economic trajectory. Oil is the leading economic contributor to Oman's GDP, accounting for, in monetary value, 82.2% of the nation's annual exports in 2021, and as such, is its primary source of income.

Such dependency leaves Oman's economic development severely exposed to oil price fluctuations. According to Beck and Richter (2021) the Sultanate of Oman's economic growth relies heavily on the price of oil, which remains at around $60 per barrel. Although, as of February 2022, the average price of Brent crude oil rose to $97.13, as displayed in Figure 1, global oil prices display constant and significant (in terms of magnitude) oscillations overtime (see Figure 2).

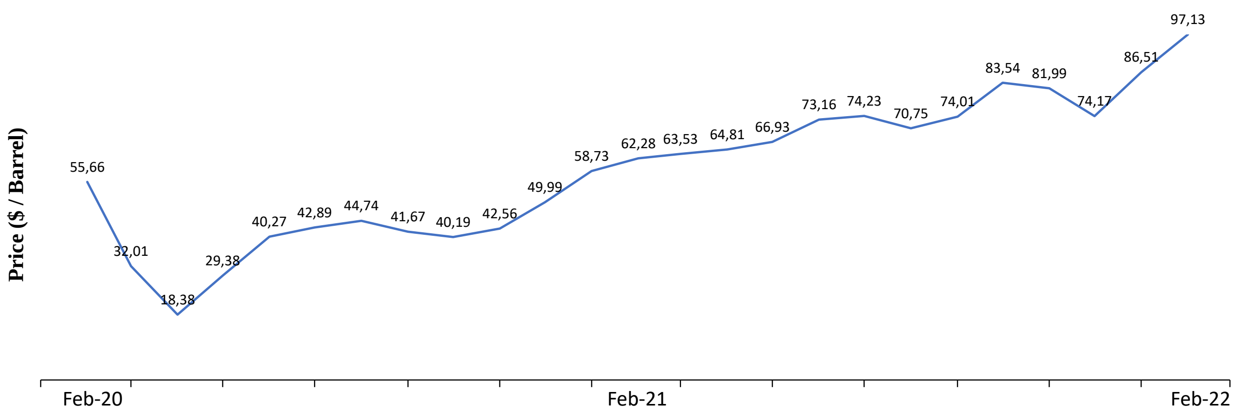

Figure 1: Average Monthly Brent Crude Price from February 2020 to February 2022, (Source: Sönnichsen, 2022)

Global downward pricing pressures are sometimes caused by calamities and unforeseen circumstances, as was the case with the outbreak of COVID-19, while at other times global upward pricing trends are due to events such as Russia's attack on Ukraine, with all the ensuing sanctions imposed on Russia by the Western world (Liadze et al., 2023). Consequently, for many years, Oman has experienced unsteady economic growth due to the instability of international oil prices.

The fluctuations in oil prices, and a lack of income diversification, have negatively impacted the economic development of Oman.

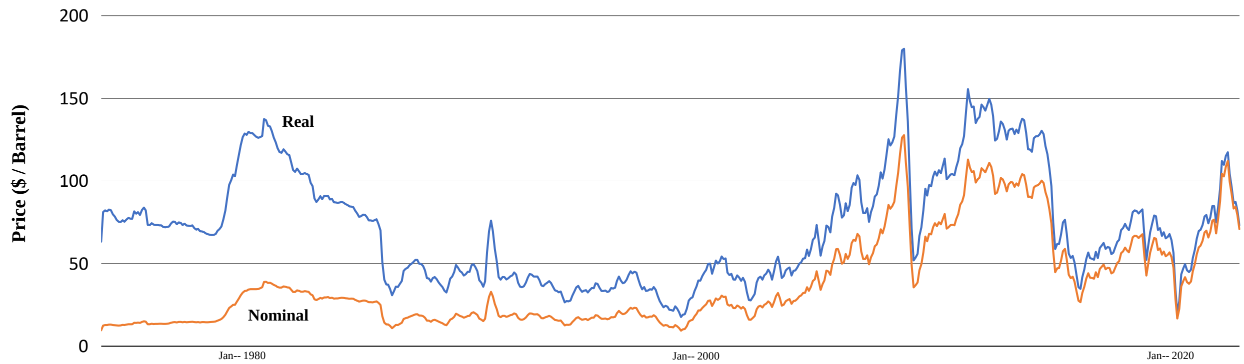

Figure 2: Monthly Average Brent Crude Oil Prices Over 40 Years (Source: EIA, 2022)

In the 1970s and 80s, Oman generated a sizeable financial surplus from oil exports which helped it finance local development programmes without attracting foreign investments and, as a result, led the government at that time to erect severe international barriers to prevent firms and individuals from establishing subsidiaries within the country. Pressures from the World Bank and the International Monetary Fund compelled the Government to reconsider this rather rigid stance (Gulf Business, 2001). Furthermore, the government realised that they could not ignore the globalisation concept and enter the World Trade Organisation (WTO) without adjusting their tariffs downwards and complying with other obligations, as prescribed by the WTO, to create a conducive business environment for FDI and, in the process, accelerate economic diversification (i.e. many investors have directed their assets in Oman to the gas and oil sector, with fewer assets invested in the manufacturing, real estate, and financial services sectors). In this regard, the Omani government has been employing a cost-cutting strategy to lower its budget deficiency by reducing public investment and increasing privatization in order to attract foreign investors.

1.1.3 FDI Attraction Performance in the GCC

The performance of GCC countries in attracting FDI varies. Data from the World Bank indicating the actual FDI inflow performance between 2000 and 2019 illustrates this (see Figure 3). For instance, despite Bahrain recording its highest net inflows in terms of % of Gross Domestic Product (GDP) twice within the period (in 2006 and 2013), the country continues to face challenges in attracting foreign investment. This is evidenced by the significant drop in FDI net inflows from 2013 to 2019. Other countries such as Qatar and Saudi Arabia posted dismal performances worse than that of Bahrain. However, the UAE has managed to report a consistent and sustainable performance in terms of the contribution of FDI net inflows to its GDP over the last ten years.

According to Dalwai et al. (2019), Oman generally continues to encourage FDI as an economic growth strategy, but like some other GCC countries, its FDI attraction performance has been irregular. Starting in 2004, the FDI % of GDP growth rate in Oman exhibited a positive upward trend until 2007, followed by a downward trend until 2014 (albeit with positive growth rates). In 2014, Oman recorded $1.18 billion worth of FDI, a value equivalent to 2.7% of all Arab nations (Hussein and Ahmed, 2019). However, at the beginning of 2015, a sudden drop in inflow was observed. This was followed by a positive FDI % of GDP growth rate over a four-year period from 2015 to 2019, although the rate in 2019 was lower than that of 2018 (see Figure 3). The efforts of the government to develop competitive FDI policies and special economic zones contributed significantly to increased FDI in Oman. The National Centre for Statistics and Information (NCSI) in Oman revealed that the primary sources of FDI in Oman were the UK, the UAE, Qatar, Kuwait, and Bahrain, all of which have opted to invest in the Omani oil industry due to its rich oil deposits.

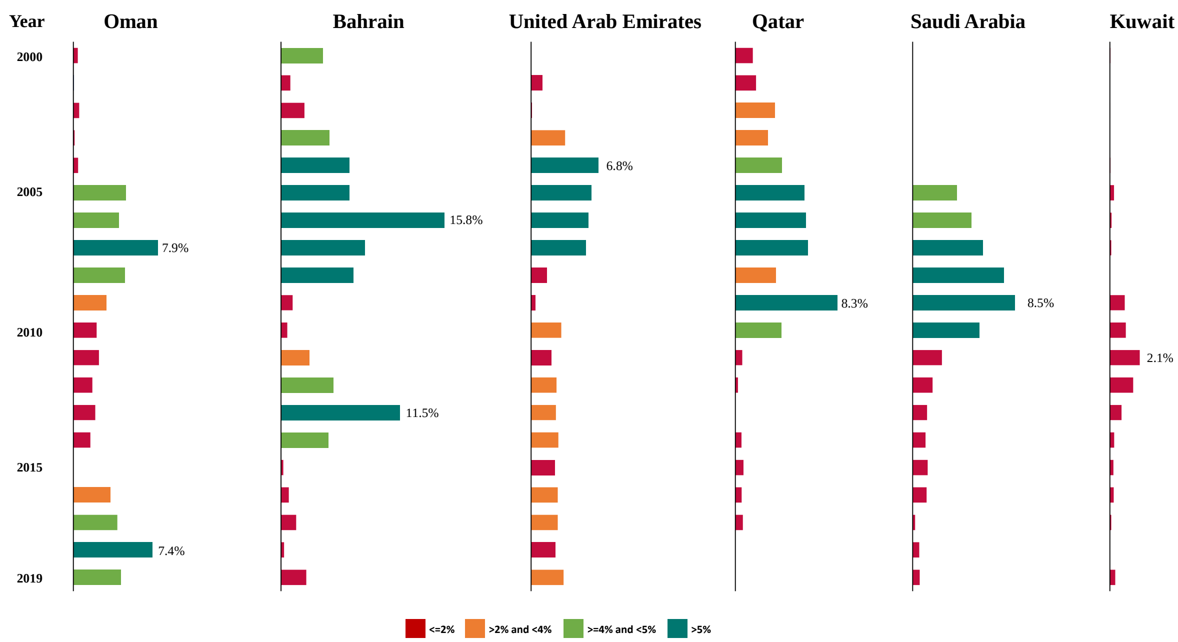

Figure 3: GCC Countries Net FDI Inflow as % of GDP (Source: World Bank Data)

Despite the concerted efforts of the GCC countries to attract FDI, Figure 3 shows, on the one hand, FDI attraction performance varies across countries, and on the other, a rather irregular FDI % of GDP growth rate performance by a given country over the years.

Whilst there is no doubt about the importance of FDI in assisting Oman to realise its economic agenda, as described in the opening section of this chapter, the above observation left the researcher with a key question: What drives FDI attraction performance? Furthermore, given a realised FDI attraction performance (in terms of magnitude, trend, and consistency of trend or lack thereof) does FDI help with the realization of a country's economic growth agenda? Is there a cause-and-effect relationship and therefore scope for improvement? Thus, to understand why certain nations receive more FDI than others and to build efficient policies to attract FDI, it is critical to comprehend how multinational firms choose where to invest internationally (Caves, 1971). This is the premise for the current study.

1.1.4 The Role of FDI

FDI is defined as an investment made by a company, individual, or organisation in a given country into a business interest located in another country. FDI occurs when an investor develops business operations or acquires a business in a foreign company. Therefore, depending on the nature of the assets, FDI can take two forms; Mergers and Acquisitions (M&A), which involve the transfer of existing assets from a local to a foreign nation, and the typical brick and mortar investment, also known as greenfield investment, that transfers newly created assets to a foreign nation. Most investors have embraced the M&A mode of investment as it allows them to consolidate and advance their position by acquiring other organisations which, in the long run, gives them a competitive edge.

Often, business owners and scholars confuse M&A with portfolio investment. However, portfolio investments are primarily concerned with the equities of a company located in another country. In addition, FDI tends to have long-term interests. Consequently, it can be made by either obtaining a long-lasting business interest or expanding a current business into foreign territories.

FDI is common in open economies that offer a skilled labour force and high growth rate prospects for foreign investors. This means that FDI amounts to much more than capital investment. It entails the provision of management services, the acquisition of technologies, and the use of technologies. This allows effective business control and can substantially affect decision-making in relation to foreign business processes.

In summary, FDI is an investment made by a firm or an individual in one country which allows them to take control of the ownership and operations of a company in another. FDI involves financial investment and the transfer of knowledge, skills, and technology. The benefits of FDI are that it can offer a competitive advantage to business investors and the foreign host country. Businesses can enjoy higher levels of market diversification, tax incentives, relatively low labour costs, subsidies, and other forms of preferential tariffs.

FDI is a crucial source of external finance for a country. It can transform economies by sharing technical, managerial, and organisational skills, which allows companies to penetrate foreign markets, innovate, improve productivity, and create better job opportunities (Mottaleb and Kalirajan, 2010; Echandi et al., 2015).

The need for FDI is clear. In many developing and emerging economies, governments set aside insufficient funds to support all investment needs. Such economies have thus sought to attract foreign capital in the form of FDI to finance local investment and encourage economic growth.

Investment cooperation between different countries, especially between developed and emerging countries, is essential for growing an economy. According to UNCTAD (1980), most developing and emerging economies use FDI as a key source of economic development. They enact policies that rival other economies to attract more foreign companies to invest.

Over the years, FDI has captured the attention of numerous individuals in the development sector and generated renewed interest among scholars over the last decade. There are several reasons for this, including the rapid increase in global FDI flows and the possibility of channelling capital and resources to developing countries through FDI. A large number of governments and developers have also failed to recognise the significance of FDI in the total capital flows in developing and developed regions. As such, its relative essence has often been downplayed. Therefore, the IMF (1990) predicted that the importance of FDI is likely to increase due to the limited capacity of developing countries to access other capital and financing sources.

The World Investment Report (2018) revealed a 23% drop in global FDI, which was later attributed to cross-border M&A (United Nations, 2018). Despite the decline, FDI remains the largest source of external finance.

1.2. Research Problem

The Omani government has been keen on promoting FDI as an economic driver which can support its national economy (OCCI, 1992) and realise its central diversification strategy, as Vision

2020 proposes to diversify the economy in such a way as to lower its dependence on petroleum (i.e. whereby FDI is viewed as one of the significant sources of economic growth) (Mansour, 2013).

The country has introduced several measures to attract foreigners to invest in Oman, and also to provide employment opportunities for local Omanis. Specifically, the National Strategy for Economic Diversification's primary plan is to create alternative sources of economic development beyond oil and gas, create additional employment opportunities, and encourage technological spillovers that can enhance the development of entrepreneurial development practices within Oman.

To this end, the Omani government has developed a range of policies and strategies for long-term economic planning and readily offered various incentives, based on the logic that creating a conducive business environment through economic liberalisation, the creation of a strong capital base, the facilitation of business, and the promotion of the country's foreign investments, will attract more foreign firms to Oman.

Through royal decree 52/2002, and to further support the need for the diversification of the economy, the Sultanate of Oman launched the creation of free zones in Sohar, Salalah, and Duqum to attract more foreign investors and, in the process, enhance FDI performance and economic growth. The Oman National Centre for Statistics and Information (NCSI, 2016) reports that the accumulation of FDI to date has attracted more than $27 billion to the Omani economy.

Therefore, it is crucial to examine the FDI policies championed by Oman and the direction of its national economic growth. This study aims to understand the cause-and-effect relationship between FDI and economic development on one hand, and economic diversification on the other, and in doing so generate recommendations that will further enhance the FDI efforts of the country.

1.3. Research Objectives

Previous studies have shown that business environments impact inward Foreign Direct Investment (IFDI) levels. According to Globerman and Shapiro (1999), government policies influence the location of foreign investment by altering the attractiveness of an industry or economy through the promotion of investment in other, less attractive economic activities or economic sectors within a country. This study argues that if potential hosts are aware of foreign investment location factors, governments or policymakers can influence or manipulate such factors to attract more foreign investment.

Therefore, this thesis aims to assess the factors that attract FDI to Oman and their impact on economic growth. It begins by describing the policy frameworks in Oman that have contributed to the attraction of foreign investment and the key elements that motivate increasing numbers of Multinational Corporations (MNCs) to establish subsidiaries in Oman. This is achieved by analysing the previous literature on FDI in Oman and identifying the significant impact of the attractiveness of the Oman economy to international and local entrepreneurs.

1.4. Research Questions

Based on the preceding discussion, this research seeks to answer the following questions:

i. What are the main motives for engaging in FDI in Oman?

ii. How does the Oman government attract FDI?

iii. What impacts has FDI had on the Omani economy over the last few years?

1.5. Thesis Structure

In the first chapter of this thesis, the economic backdrop and thus motivation that has led the Sultanate of Oman to integrate FDI as a key element of its economic development efforts has been outlined. Also highlighted is the problem statement and the research objectives, to then present the research questions and the research structure. ***Specifically, if FDI is so integral and critical to economic development, and, in some instances, to accelerate the economic diversification of so many countries, then what can possibly be done (scientifically or empirically) to ensure a more consistent FDI Attraction performance (i.e. performance of a given country relative to itself over the years), along with a more competitive FDI Attraction performance (i.e. performance of a given country relative to other relevant countries), and in doing so yield the intended and tangible benefits over time.***

The second chapter presents an extensive review of previous literature on the various perspectives of FDI and how they impact an economy. It starts with an in-depth review of scholarly perspectives discussing existing FDI theories, and a review of empirical research that discusses FDI Attraction Factors as well as FDI Impact Factors. The literature review of global empirical research on FDI Attraction Factors and FDI Impact Factors is supplemented by a literature review (from the scarce sources available) of empirical research on the same factors in the GCC, particularly in Oman. This chapter has identified and articulated the FDI Attraction Factors and FDI Impact Factors that will be examined through this research to help make improvement recommendations. More precisely, by working through the literature in Chapter 2 in a logical way (the theory, then empirics), 39 FDI Attraction and Impact Factors were derived and articulated by this researcher (i.e. articulating the list and providing a name and rationale for each of the 39 FDI Factors, which were then grouped into four clusters). ***Specifically, to address the question of FDI performance improvement (in terms of both Attraction and Impact), the researcher set out to perform an empirical study using a robust set of 39 Attraction and Impact Factors (derived from the literature) and allocated these to four clusters: "FDI Attraction", "National Workforce", "Policy and Regulations", and "FDI Impact". It is important to note that by focusing on "National Workforce" and "Policy and Regulations", the researcher's intent is to put more emphasis on these two critical FDI Attraction Factors by further detailing them (i.e. allow for more granularity through the use of additional factors under each). It is on that basis, and through these lenses (39 FDI Factors across four clusters), that Chapters 4, 5, and 6 have been structured, organised, and the content discussed.***

In the third chapter, details of the research methodology (i.e. research setup; data collection; data analysis) are provided. ***Specifically, the relativistic ontological and interpretivist epistemological position of the researcher led to the adoption of a mixed-method research approach (with predominantly inductive reasoning) while utilising a descriptive research design under a case study type research strategy. Primary data collection (as the secondary data collection pertained to the literature review) was performed by recruiting 30 participants that were deemed to be relevant FDI stakeholders (distributed across six stakeholder groups), soliciting the input of each one on the 39 FDI Attraction and Impact Factors both quantitatively (through questionnaires) and qualitatively (through interviews). The resulting data analysis was conducted by first ensuring the integrity of the data and then adopting techniques that allow consistent and relative reading as well as interpretation of the findings within and across stakeholder groups.***

In the fourth chapter, a structured presentation of the input of 30 participants (across six stakeholder groups) on the 39 FDI Attraction and Impact Factors is provided. ***Specifically, participants' scores on the 39 FDI Attraction and Impact Factors (across the four clusters) are***

presented in a structured and organised manner. The intent (before proceeding to the interpretation of the scores, which is the focus of Chapter 5) is to assess the relative importance of the 39 FDI Factors within and across stakeholder groups. This comparative analysis of the results permits identification of where consensus is realised and forms a basis for interpretation from triangulation in cases where a disparity of views exists.

In the fifth chapter, a more detailed interpretation of participants' input is provided. ***Specifically, participants' input (across the six stakeholder groups) on the 39 FDI Attraction and Impact Factors (across the four clusters) are presented in a structured and organised manner. The intent (before proceeding to the formulation of the recommendations, which is the focus of Chapter 6) is to assess which factors (or group thereof) merit the articulation of an improvement recommendation. The intent of this study, and thus the spirit under which the research was performed, is to focus on the few (rather than the many, to the extent of being generic and dilutive in nature) areas that could engender a positive and significant improvement in FDI Attraction and Impact Performance.***

In the sixth chapter, improvement recommendations for consideration by the respective FDI authorities and various stakeholders are articulated. ***Specifically, ten improvement recommendations are formulated and prioritised across the four clusters for improvement that emerged from Chapter 5.***

Finally, Chapter 7 outlines the contributions and impact of this research to the various groups concerned.

Chapter 2: Literature Review

2.1.Introduction

Numerous theoretical explanations have been offered and empirical investigations conducted on the factors affecting FDI location in potential host countries. This is the direct result of the fact that academics approach the topic from different vantage points, and that globalisation and the liberalisation of international trade have altered the relative weight of FDI Determinants over time (i.e. some formerly essential factors may become less important while others become more significant). Until now, there has been no agreement or general consensus on the critical FDI Determinants.

In this chapter, the literature relating to FDI is reviewed. First, it examines key theories that can be used to explain why FDI happens. Second, it reviews empirical research – of FDI Attraction Factors, then FDI Impact Factors. As discussed in Chapter 1, FDI in significant amounts is still relatively new in Oman (i.e. USD 27Bn to date), so the emphasis at this time is more on attraction factors than impact. The literature review chapter is organised into five sub-sections.

Section 2.2 reviews the broadly accepted current FDI theories. It reveals that there is no consensus among scholars, and gives legitimacy to empirical studies on this matter.

Section 2.3 focuses on a global review of empirical studies to capture the reported FDI Attraction Factors, while Section 2.4 adopts the same approach to capture the reported FDI Impact Factors. Together, they provide a holistic view of empirical FDI cause-and-effect relationships. Each of these sections looks first at general studies, before considering the small number of studies that have been conducted on GCC Countries. Indeed, few scholars have carried out research or studies regarding FDI in the GCC, and thus FDI in Oman. Despite the scarcity of available literature, the purpose is to capture broadly the FDI Attraction Factors as well as FDI Impact Factors reported in the GCC, and more specifically Oman, to establish a preliminary cause-and-effect relationship.

Section 2.5 builds on these findings to identify a comprehensive list of FDI Determinants in terms of FDI Attraction Factors and FDI Impact Factors. Grouped into four themes, these form the basis on which this study will evaluate FDI performance in Oman and formulate improvement recommendations.

2.2 Economic FDI Theories

There have been numerous attempts to explain the origins of FDI, but no consensus. Some theorists suggest that market imperfections drive FDI flows. By contrast, others believe that monopolistic and oligopolistic advantages are responsible for FDI flows, while other theories associate FDI with international trade. As Makoni (2015) explains, there is still no single clear theory of FDI.

One major shortcoming of earlier theories is that most were based on the situation in the US and Europe. Most of the transformations in FDI theory happened after the Second World War, especially after the emergence of globalisation. MNCs became increasingly important during this time, highlighting FDI flows from the US to European countries. These attracted the attention of numerous scholars who have studied international production and MNC importance, hence their efforts to theorise what they were seeing. As a result, attempts to explain this global movement of capital quickly became popular worldwide. As demonstrated thus far, researchers are still striving to properly explain FDI through the various theories they have developed, especially after 1960. Since the 1960s, researchers have been able to integrate various activities of MNCs with existing theories of FDI and, as a result, have generated explanations, through multiple theories, that explain the different factors underpinning the international capital movement.

In this chapter, FDI theories will be based on five main classifications: perfect competition, imperfect competition, industrial organisation, international trade, and the strength of the currency.

2.2.1 FDI Theories Based on Perfect Competition

Perfect competition means there are no entry barriers into a market and that markets are perfect because the information is universally available. One of the leading proponents of these theories is MacDougall (1958), whose model was based on the various assumptions of a perfectly competitive market. Numerous other researchers, such as Kemp (1964), further elaborated and contributed to this theory. According to these authors, when there is free movement of capital from one country (the investing country) to another (the host country), this will continue until the marginal productivity of capital is equal in both, assuming that the model constitutes only two countries and that prices of capital are equal to its marginal productivity.

As explained in this section, as a result of FDI flows, the investing country is likely to experience a decrease in output while, at the same time, there will be no decrease in its national income. The primary reason for this is that the investing country will achieve higher income from its investment activities in the host country. However, it is essential to note that this theoretical position is massively flawed in terms of empirical relevance. This is because, in perfect competition, everyone has perfect knowledge. Any possible investment gains would already have been obtained in such a situation. In short, under perfect competition, there will be no FDI (Denisia 2010).

Perfect competition theory dictates that enterprises manufacture homogenous goods that subsequently enjoy the same levels of access to production factors. In a perfectly competitive market, trade barriers do not exist. Perfect market competition might exist in cases where many traders compete in a specific market with no control over supply or demand (Stigler, 1957). Thus, there is no monopoly power in the marketplace in pure, perfect competition. He further makes the assumption that perfect competition theory is a perpetually open-ended theory because it will always pose a new ring of problems that add to the theoretical framework. Makowski and Ostroy (2001) thus argue that there will always be a new range of problems in this framework. The transaction of services and products in perfect competition ensures an optional allocation of resources and, consequently, incentives for FDI are lacking (Chen, 1983). In support of this, Kemp (1964) claimed that the marginal productivity of capital would be equalised due to free capital movement from a company investing in a foreign country, assuming that the price of capital is equal to its marginal productivity. Because the investing state receives increased income from its investments abroad, MacDougall (1958) found that, after such investment, the investing state's output decreases in line with the national income.

According to Azevedo and Gottlieb (2017), several problems exist in perfect competition. First, many firms sell the same products, meaning they cannot achieve maximum profits. Also, everyone has perfect knowledge and the ability to share all information hinders the development of new technologies. In addition, there is a lack of product differentiation because perfect knowledge and sharing of information results in the creation of the same products. Lastly, perfect competition reduces research and development efforts as there is no need for product differentiation.

Therefore, the discussion of this theory in this study only demonstrates the theoretical evolution of attempts to understand FDI, its importance, and its impact on a country. It does not claim any empirical applicability of perfect competition to FDI flows in practice. The next section discusses in detail theories based on imperfect competition, touching on various assumptions and possible weaknesses in terms of their applicability and ability to explain FDI in modern markets.

2.2.2 FDI Theories Based on Imperfect Competition

Hart (1980) highlighted the role of product differentiation in upholding the monopolistic competition theory and challenging the perfect competition theory. He argued that if a firm produces a differentiated commodity, that will give it a competitive advantage, allowing it to gain a more significant market share. Hunt, Shelby, and Morgan (1995) stated that firms differ radically within countries and industries as to size, scope, methods of operation, and financial performance. They also raised different assumptions about the theory of competition. They contended that competition in the marketplace is due to resource advantage competition – the attempt by firms to compete for the patronage of market segments. This leads to firms seeking out competitive intelligence to gain competitive advantages. They also highlighted key assumptions concerning how the competition process contributes to organisational learning. However, as mentioned earlier, under perfect competition, everyone has perfect knowledge, and there would be no FDI. Therefore, to solve the problems of perfect competition, monopolistic competition and product differentiation should be adopted as a theory to create imperfect competition.

The microeconomic perspective on studying FDI theories is based on an imperfect market situation, given the limits presented regarding perfect competition. For an MNC to decide to invest abroad, it might be aware or have certain advantages, including, inter alia, economies of scale, access to raw materials, access to intangible assets such as patents and brands, and low transaction costs (Makoni, 2015). This is not a capital market decision but a firm-specific one. Other researchers such as Simpson (1962), Frankel (1965), Pearce and Rowan (1966), and Caves (1971) sought to offer other theories of FDI based on imperfect markets, such as the oligopolistic theory explanation of FDI. This is the principle of the existence of imperfect markets.

Knickerbocker (1973) argued that in an oligopolistic structure, firms in an industry tend to follow one another, including, most importantly, in their location decisions. Altomonte and Pennings (2003) further elaborated the theory by positing that enterprises are at risk of being weakened by a competitor shifting to a production subsidiary once they are unsure of the production costs in the state to which they are currently exporting. If they choose to imitate the FDI of their competitors, the firm can avoid underpricing. Using data collected in the US to calculate their MNCs' entry index, Knickerbocker (1973) discovered that oligopolistic reaction decreased in line with product diversity and increased concentration levels. In support of this, Gwynne (1979) acknowledged that in an oligopolistic industry, enterprises are few but just enough to notice the influence of their activities on their competitors and vice versa, alongside the existence of cost uncertainties in the host country. With such certainties, incentives for investing abroad decrease with rival investment, and the motives behind the undertaking of FDI remain unknown. Dinkar and Rahul (2014) explain the theory as a form of imitated behaviour.

The market imperfections theory, developed by Hymer (1970), explains how MNCs capitalise on specific capabilities in foreign markets. He argued that his theory was mainly based on unique advantages in the host country, such as favourable taxation policies and the availability of a cheap labour supply, such that MNCs move abroad to obtain these (Teece, 2006). Hymer (1976) also stated that FDI occurs if the benefits of employing specific advantages exceed the relative cost of operations. He believed that MNCs appear as a result of market imperfections. Direct investment appears to be a capital market financial decision rather than a firm-level strategy decision. However, if business opportunities exist, a company will also most likely export to the target country.

The importance of intermediate inputs and the role of technology in the host country impacting FDI decisions was addressed by Buckley and Casson (2016). Hashai and Ramamurti (2011) assumed that four aspects impact the future of FDI: the role of decision-makers in investment, the change in the origins of MNCs, the shift of MNCs' business interests, and the political relationship between MNCs and governments. For instance, most MNCs will have stronger political ties with governments compared to their local counterparts, which assists them in influencing domestic and foreign policy-making to create suitable conditions for their operations within a host country. Strong evidence exists to indicate that once firms become multinational, they increase their lobbying expenditures to influence policy-making. Thus, while host governments implement policies to maintain their control over MNCs, the political influence of the latter interferes with the autonomous process of policy-making (Kim and Milner, 2019). For this reason, imperfect competition may arise among MNCs and between MNCs and local businesses in the host country. Donangelo (2000) further argued that the theory of imperfect markets offers multiple market strategies for stakeholders within markets. In his opinion, the options available in the markets support the decision-making processes for any business transaction. This is because the decision-making structure of a company may assist it in making strategic business moves that potentially give it a competitive advantage. For instance, an MNC may opt to partner or buy a stake with an already established local company rather than operate as an independent entity.

2.2.3 The Theory of Industrial Organisation

Hymer (1960) was among the pioneers who developed a systematic approach to FDI based on industrial organisation. This theory focuses on how Transnational Corporations (TNCs) deploy their trans-border assets and unique capabilities to overcome perceived deficiencies in their operations and use information with respect to domestic competitors (Le et al., 2019). According to this theory, the possession of unique capabilities such as managerial skills and proprietary assets such as differentiated products, proprietary technology, and better access to capital gives TNCs a competitive advantage over firms native to the host country and aids them in offsetting the problems associated with operating in a foreign country. In simple terms, TNCs gain advantages from the home country’s market imperfections due to an oligopolistic structure (Le et al., 2019). Corporations can exploit their market power and secure good profits in an imperfect market. It is important to note that there is a clear link between this theory and the ownership factors of the Ownership, Location, and Internalisation (OLI) advantages that are discussed in the eclectic paradigm theory in the following sub-section. However, this theory only highlights a few ownership factors while OLI is exhaustive.

2.2.3.1 Eclectic Paradigm

An important step in developing a broad theory of FDI came with the eclectic paradigm. This offers a holistic framework for investigating the significance of the factors that influence the initial expansion of MNCs by foreign production and the subsequent growth of their activities in the host country (Dunning and Robson, 1987). Dunning (1988) developed an argument based on a mix of three different ideas: Ownership advantages, Location advantages, and Internalisation advantages, or OLI. The OLI variables are compared to a three-legged stool, where every leg supports the others, and the functionality of the stool, represented by the success of MNCs and FDI, depends solely on the even balancing of its three legs (Dunning, 1980). Blanton and Blanton (2007) posit a similar argument by noting that investors' decisions to invest abroad are subject to ownership, location, and internalisation advantages. Cantwell and Narula (2001) explored the application of the eclectic paradigm in the global economy, taking into consideration the globalisation impacts and the interdependence of ownership and location advantages. They argued that the eclectic paradigm results from the synthesis of elements, from transaction costs and market power theories of the individual MNC, in its relationship to markets, with macroeconomic approaches to the international product at the host country level.

Dunning (2001) also highlighted the novel dimensions of the eclectic theory that relate to a competitive advantage that distinguishes both FDI origin and the FDI host country. The author argued that the decision of an MNCs on the mode of entry into a new market is linked to the eclectic theory. Similarly, Erdener and Shapiro (2005) stated that the eclectic theory explains the pattern of decisions made by MNCs to establish international business activities. They argued that the approach focuses on competitive advantage sources that allow MNCs to compete abroad due to their location and mode of entry to international markets. Tallman (2003) highlighted that the eclectic model had been primarily developed to study MNCs rather than to evaluate individual MNCs' decisions. He argued that the eclectic model provides a framework for descriptive and normative studies of MNCs. As per Tallman (2003), Dunning (2001) describes the essential eclectic factors for international expansion as follows.

i. ***The Ownership Factor ("O")***

The ownership advantages of an MNC are the unique competitive or monopolistic advantages developed within the investing firm. They indicate who is going to produce abroad and other forms of international activity (Dunning 1993). These permit the MNC to compete successfully in foreign markets. Ownership factors are divided into two types:

- Asset advantages that arise from propriety ownership
- Transactional advantages that provide a unique capacity to capture value from the transactional benefits of owning a network of assets located in different foreign markets

Dunning (2015) specified three types of ownership advantages:

- Those that stem from the exclusive privileged possession of, or access to, particular income-generating assets
- Those that a branch plant normally enjoys compared with a de novo firm
- Those that are a consequence of the geographical diversification of multinationalism

ii. ***The Location Factor ("L")***

The location factor "L" is tied to the local foreign market, making production costs in the host market preferable, and principally influence the *where* to produce (Dunning, 1993). These relate to immobile factors such as a cheaper workforce, high logistic costs, and the existence of trade barriers which inhibit trade with the country, combined with transferable intermediate ownership assets to generate high-value goods. For instance, Hill, Hwang, and Kim (1990) argued that the entry mode decision for an MNC into a new market is driven by environmental variables such as country risk, location familiarity, demand conditions, and volatility of competition.

The Attraction concept of FDI, examined in detail later, primarily relates to the host country. This includes its activities and programmes for encouraging MNCs to establish their business abroad and create in-country value in the form of jobs, technology transfer, and the marketing of national domestic companies. Groh and Wich (2012) argued that the host country's economic status affects FDI inflows to that country. For example, they found that the GDP level has a significant positive impact on FDI inflow as some companies target countries with good purchasing power. In addition, high GDP in the host countries is often associated with a better skilled labour force.

iii. ***The Internalisation Factor ("I)***

This factor is related to a company exhibiting transactional market failure to transfer ownership advantages to foreign markets. It addresses the question as to *why* firms choose to invest overseas instead of licencing foreign firms to use their proprietary rights (Dunning 1993). Dunning and Rugman (1985) support the FDI domain process as an international extension of the industrial theory. They argue that it elucidates MNCs' reasons for transferring intermediate products such as knowledge or technology and other units between different countries. Concomitantly, they still retain property rights over such assets, which explains the rationale behind the global extension of their business. Furthermore, Pedersen, Petersen, and Sharma (2003) stated that multiple aspects are related to the nature of the driving force behind an MNC's internalisation process. This is associated with internal factors such as the MNC's business culture and external factors such as business opportunities in foreign countries. Similarly, Hill, Hwang, and Kim (1990) argued that the entry mode decision of MNCs into new markets is driven by strategic variables such as scale economies and global concentration. Al-Jarboa (1989) provided an analogous argument by stating that several factors play a key role in the imperfect market theory, including product differentiation, increasing economies of scale, technology, and government actions. He also argued that countries with similar factor endowments have fewer industrial structure differences and more intra-industry trade.

As extensively investigated by Buckey and Casson (1985), the internalisation factor of the eclectic paradigm theory focuses on the notion that corporations strive to grow their internal market if deals can be made at a low cost. Hence, internalisation is a form of vertical integration. It is a method employed by a firm to invest abroad to increase its efficiency and initiate foreign activities and operations previously performed by intermediate markets owned and governed by the organisation. Buckley and Casson (1976) claimed that internalisation results from five types of market imperfections: the efficient exploitation of market power that requires discriminatory pricing, the intervention of the government in international markets that creates incentives for transfer pricing, the inability of the buyer to correctly estimate the price of on-sale goods, the long-time-lag required to coordinate resources, and the production of unstable bargaining situations from a bilateral monopoly. According to Hennart (1982), internalisation can be both vertical and horizontal. The theory holds that intangible assets such as marketability, technological know-how, and effective and dedicated management have certain public goods characteristics. Their value increases directly in line with the scale of the firm's markets (Caves, 1986).

Adopting a different approach to FDI, Behrman (1972) argued that it could be classified into four types:

- Market-seeking FDI that is connected with market size in and near the host country
- Resource-seeking FDI in terms of seeking natural resources
- Efficiency-seeking FDI, where expanding abroad increases the efficiency of the firm's production processes as a whole
- Strategic asset seeking FDI, linked with cross-border M&A, where a firm seeks to acquire a particular tangible or non-tangible asset in another country

Market-seeking FDI is characterised by factors such as the market structure, growth, and size. This type of FDI aims to penetrate the host country's domestic market – but also perhaps the markets of neighbouring countries, especially if they are all subject to a trade agreement. Resource-seeking FDI are investments made to access a cheap labour pool, raw materials, and infrastructure, among others. Efficiency-seeking FDI is a type of investment that focuses on entering the host country in an attempt to benefit from the factors that can enable that particular firm to compete in international markets, primarily by internally restructuring its business to improve efficiency. Strategic asset seeking FDI sees firms buying an asset that, once again, can improve the economic performance of the firm as a whole.

Whilst all three factors (O, L, and I) are needed to attract FDI under the Eclectic Paradigm, the focus of this research will be on Oman. Therefore, this study will be especially interested in the L factors, that is, what Oman can do to attract more FDI, and why it wants to do so. Using the OLI propositions will enable the researcher to explain the scope and geography of engaging in international value-added activities and the impact of the same on Oman.

2.2.4 FDI Theories Relating to International Trade

FDI and MNC growth over the past few decades have revolutionized international trade on multiple fronts. FDI has become increasingly important, with Nayak and Choudhury (2014) arguing that it has become more significant than international trade. This is partly because over 33% of international trade occurs intra-firm (Nayak and Choudhury, 2014). This is why researchers have attempted to integrate the theory of international trade and FDI theory. Researchers such as Smith (1776) in the 18th Century and Ricardo (1817) in the nineteenth century pioneered this theory by explaining trade flows between different countries.

Kojima (1973) was among the first researchers to develop an FDI theory with regard to developed countries in Asia. He focused on FDI outflow from Japan, noting that the inability of firms to compete domestically within Japan compelled them to go abroad in search of investment opportunities. Kojima further opined that the more efficient local firms pushed their less competent competitors out of the local Japanese market. As a result, weaker firms moved overseas, especially to other developing countries. This analogy is what is referred to as the Kojima Hypothesis. In addition, Kojima further integrated direct investment theories with trade theories. He strongly suggested that FDI was necessary for making factor markets more internationally competitive and efficient, and also to enhance the production processes of countries with massive resources. He further identified resources, labour, and market orientation as the primary motives behind foreign investments by a firm. For instance, when an MNC invests in a country to increase and secure product imports not available in the host country, or are produced in the host country at a higher cost, this kind of FDI is referred to as resource-oriented or trade-oriented FDI. Conversely, if the FDI is made to leverage cheaper labour costs, it is referred to as a labour-oriented FDI, while foreign investments targeted at capturing big markets or surpassing trade barriers are known as a market-oriented FDI (Kojima, 1973). Therefore, Kojima's Hypothesis principally focused on the inability of firms to compete domestically as the main FDI determinant leading them to invest internationally. Thereafter, the FDI substituted for trade (from the domestic market to the FDI host market) could possibly promote further trade from the host market to other, maybe regional, markets.

Based on this, Liu and Nunnekamp (2009) sought to analyse the repercussions of different types of FDI with regard to the domestic manufacturing industry in Taiwan. This study categorised FDI into three major types: vertical, horizontal, and the creation of conglomerates.

Horizontal FDI involves investing funds in a foreign company within the same industry as the investors. For instance, Apple Inc. may decide to invest in a Samsung subsidiary in a different country. As illustrated above, the two companies are in the technology sector. Hence, such an investment is classified as a horizontal form of FDI. By contrast, vertical FDI relates to the investment of funds within the supply chain, such as when a manufacturing firm buys a firm in an industry that supplies them with inputs. According to Liu and Nunnenkamp (2009), horizontal and vertical FDI are the most common forms of FDI. However, it is essential to recognise a form of FDI across different industries. This is known as conglomerate FDI. It occurs when investments are made by one company in a completely different industry. As such, there is no direct link between the investor and the business. For instance, a retailer like Walmart may decide to invest in automobile manufacturing in Japan or Germany. Some consider this form of FDI strange, while others see it as an opportunity to invest in more diverse business opportunities and for the investor to diversify in terms of productivity. However, Choi et al. (2016) stated that such investments tend to lead to a decline in demand, hence a decline in business. For survival, new ventures must be found. Given that this may occur after a period of investment, Liu and Nunnenkamp (2009) consider it the main reason for the development of conglomerate FDIs. As such, businesses tend to lose demand for their products. Thus, investors may explore new foreign opportunities in different industries and sectors of the foreign economy.

2.2.5 FDI Theories Based on the Strength of a Currency

One of the major proponents of this theory was Aliber (1970), who presented FDI based on the strengths of currencies in different countries. Suppose an investing country has a stronger currency than the host country. In this case, the host country has a higher capacity to attract more investment because of the advantages created by differences in the market capitalisation rates.

Aliber (1970) investigated countries such as the UK, Canada, and the US. The findings revealed that countries with weaker currencies exhibited a higher capacity to attract FDI from countries with stronger currencies as it allowed these countries to take advantage of differences in the market capitalisation rate. The sample used by Aliber constituted developed countries, which raises the question of whether these conclusions are relevant for all countries. In most cases, less-developed countries are characterized by non-existent capital markets or, when they do exist, largely imperfect ones. The foreign exchanges in these countries are often regulated extremely heavily (Nayak and Choudhury, 2014). This creates a different situation from the countries Aliber investigated, which means that the theory he proposed may not be relevant in some parts of the world, especially those which are less-developed. One further weakness of Aliber's theory, as noted by Nayak and Choudhury (2014), is that he offers little explanation concerning countries with the same currency strength. He only focused on investment between countries where one has a stronger currency than the other.

According to Dalwai et al. (2019), exchange rates are among the fundamental influencers of FDI, especially when a currency expressed in terms of another loses its value relative to that currency, and more foreign investors will be interested in operating in a host country due to cheaper operational costs. Based on the currency rate theory, regions with weaker currencies are likely to attract more foreign firms than regions with stronger currencies. Therefore, developments in exchange rates are both relevant and critical to FDI. This stems from the fact that exchange rates are often dynamic; ergo unpredictable. Such unpredictability creates insecurities in the exchange rates for investing in different countries. As Behera et al. (2008) indicated, an increase in exchange rates will likely enhance FDI inflows. Similarly, the rapid growth of a currency's value in a given location will likely attract more FDI inflows because of the differences in operational costs. An early analysis of the relationship between FDI and exchange rates was conducted by Asiedu (2002), who expressed the view that different currency zones play a dominant role in enhancing or limiting FDI.

Most of the theories examined thus far have focused on Western economies, and most of these are advanced. It is also important to note that almost no theory has been developed to explain this phenomenon elsewhere, such as in the Middle East. The few theories originating from outside Western developed economies have tended to focus on Japan, another developed economy, as exemplified by Kojima (1973). As discussed previously, Kojima (1973) focused on the FDI outflow from Japan and posited that the inability of firms to compete domestically forced them to move abroad to seek better investment opportunities. This is partly because Japan's most efficient firms were forcing the less efficient ones out of business—the only viable option they have is to then invest abroad. This implies that weaker companies in the Japanese context moved abroad, mainly to other countries, especially in Asia.

For example, Suzuki Motor Corporation moved to India, where it did not face competition from companies such as Toyota, which was its strongest competitor in its domestic market in Japan. Similarly, Toyota, which was well-established in Japan, also moved to India to leverage its liberal FDI and automobile policies (Kojima, 1973). The move by Toyota into new foreign markets indicates the impact of the exchange rate on the Japanese automobile business. This is because the massive trade surplus in Japan that had lasted many years translated to the Japanese Yen becoming stronger, steadily making exports more expensive (Nishitateno, 2013). Therefore, one of the reasons why Japanese automobile companies opted to invest in other foreign markets was to overcome challenges associated with internalisation ("I") factors by producing abroad. Importantly, this was compounded by the strength of the yen, hence the ("I") factor and the exchange rate factor worked together to encourage outward FDI from Japan. This was one of the major reasons why, in the last quarter of the twentieth century, numerous Japanese automobile manufacturers invested in European and Asian car sectors; for instance, by establishing new factories in international markets such as India and the UK (Farrell, Gaston and Sturm, 2004). Therefore, importing the cars produced abroad in foreign markets back to Japan reflected the strong exchange rate. Based on the preceding discussion, it is therefore correct to infer that exchange rate effects also link with the location ("L") and internalisation ("I") factors of FDI.

Review of FDI Theories - Conclusion

The above discussion relayed various analogous and conflicting scholarly arguments and perspectives on FDI determinants through a review of five FDI theories (perfect competition, imperfect competition, industrial organisation, international trade, and currency strength). In what follows, the analysis will draw mainly on the Eclectic Paradigm theory – OLI.

Following this in-depth understanding of FDI determinants from a theoretical perspective, a discussion of the same from an empirical perspective is also necessary.

2.3 Empirical Studies on FDI Attraction Factors

This section reviews the empirical literature regarding FDI Attraction Factors. A literature search returned initially holistic (some would argue conditional) perspectives by scholars. A relevant selection of these is summarized in the first part of this section. However, the current researcher, wishing to generate a more granular understanding of FDI Attraction Factors, broadened the scope of the literature search to capture views and perspectives on individual FDI Attraction factors one at a time. These are discussed in the second part of this section.

2.3.1 Select Relevant Holistic (Conditional) Perspectives on FDI Attraction

According to Dunning (1993), for FDI to occur, three conditions must be simultaneously met: the transnational corporation (TNC) must have ownership-specific competitive advantages, the host nation must provide locational advantages, and there must be significant commercial benefits in intra-organisational transactions. Nevertheless, location-specific characteristics particular to the host country, which vary in form and intensity, can be primarily blamed for the dispersion of inward FDI flows (IFDI) among countries (Dunning, 1993). This demonstrates the increased significance of site-specific considerations in FDI location decisions. Several arguments in favour of the aforementioned notion are presented in the next paragraph.

Firstly, unlike ownership and internalisation advantages, location-specific advantages are endogenous variables (Petrović-Ranđelović et al., 2013). Multinational firms have various options for reaching international markets. Regardless, FDI stands out as it reflects the goal of a resident entity in one economy acquiring a long-term stake in a company based in another (Lipsey et al., 1999). Multinational firms therefore put long-term business interests and profit maximization first when choosing the location of FDI. They will stay away from nations where adverse location-specific characteristics could make it more challenging to accomplish these goals. Lastly, it should be noted that not all geographic determinants are equally significant in shaping the patterns of FDI inflows (Dunning, 1993). Depending on the reasons why an investor chooses to invest abroad, the targeted industry and type of investment, or the scale and strategy of the foreign investor, these elements have varying degrees of importance. Moreover, improving the host nation's appeal for FDI depends on developing a favourable investment climate, including macroeconomic and political stability (Dunning, 1993). In actuality, these components have been shown to be essential in increasing the attractiveness of the target nation for possible investors.

Another perspective holds that FDI decisions in a host country are influenced by three factors: the host country's policy, economic considerations, and business incentives (Petrović-Ranđelović et al., 2013). Because each of these factors affects the inflow of FDI in different ways, and because their relative importance might change based on trends in the global economy, it is crucial to distinguish between them (Dunning, 1993). While a country's FDI policies are essential in determining investor attraction, the level of liberalisation alone is not the only consideration (Petrović-Ranđelović et al., 2013): there are additional factors at play. For instance, applying business incentives can be crucial in promoting investment choices. By significantly increasing the effectiveness of liberalisation programmes, such actions can boost inbound investment flows. A growing number of host countries are now actively engaged in investment promotion operations due to the risk of losing potential investors to other nations due to a lack of knowledge or investment prospects (Moran, 1998). To entice potential investors to invest in their area, host countries must showcase the benefits of their country to them.

Research has revealed that several conventional characteristics play a significant part in luring FDI (Edwards, 1990, Wang et al., 2023). These include the accessibility of natural resources, the size and expansion potential of the market, the availability of inexpensive labour, and the proximity of the host nation to the investor's own country (Petrović-Ranđelović et al., 2013). Several economic factors influence the anticipated profitability of a specific investment project (Edwards, 1990). For instance, the host nation attracts greater investment by providing reduced operational expenses through lower input costs, notably in terms of human resources and natural resources (Lipsey, 2001). Furthermore, economies of scale can be attained by giving access to a sizable market that is expanding quickly (Lipsey, 2001). Proximity to the investor's home market also decreases operating expenses, particularly when few disparities exist between the investor and the cultures, languages, and political systems of host countries (Petrović-Ranđelović et al., 2013). While choosing where to invest their FDI, foreign investors consider all pertinent facets of the host country's investment climate (Wang et al., 2023). As a result, the cumulative effect of the three categories of criteria discussed previously determines how desirable the host country is for FDI inflows (Petrović-Ranđelović et al., 2013). It is also important to remember that the features of the host nation, or its location-specific advantages, not only influence the amount and type of FDI inflows but also define their contribution to accomplishing national development objectives.

2.3.2 Views and Perspectives on Individual FDI Attraction Factors

As mentioned earlier, the second part of this section presents the literature review findings on individual FDI Attraction Factors, structured and organised by themes. These are the following: *Firms' Heterogeneity, Cultural Similarities, Geography, Trade Openness/Business Growth, Hard and Social Infrastructure, Corruption/Governance, Transparency, Cost of Doing Business, Ownership, Taxation, Overall Labour Quality, Labour Regulations, FDI Policy/Regulations/Incentives, Decision Making Stability*.

2.3.2.1 Firms' Heterogeneity

The foundational principle of strategic management theory is the notion of heterogeneity among firms, which refers to the variety of resources and assets that firms possess and the strategic actions they take to leverage these resources (Barney, 1991; Porter, 1985). This theory has given rise to several schools of thought, all attempting to comprehend the nature and sources of heterogeneity among firms and its impact on competitive performance. However, this conceptualisation of heterogeneity has not been widely adopted in mainstream FDI theory when it comes to MNCs, especially concerning their location decisions (Porter, 1985). Although Kravis and Lipsey (1982) and Shaver and Flyer (2000) explored the relationship between MNCs' location choices and their firm-specific attributes, the importance of heterogeneity among firms in influencing their assessment of location advantages and the benefits they may derive from them has not been recognised. Moreover, the tendency to rely on industry-level data rather than firm-level data to investigate the factors determining MNCs' location choices (e.g., Jun and Singh, 1996; Yamori, 1998) has further obscured the variations among MNCs within a given industry.

2.3.2.2 Cultural Similarities

Multiple studies have reported that the cultural disparity between the home and host nations substantially impacts MNCs and FDI activities (Sethi et al., 2003; Cieślik, 2020; Zeng et al., 2013). As the cultural gap develops, MNCs find it more difficult to understand local customs and traditions and to learn about local culture. This then affects their approach to overseas markets and subsequent behaviour (Shenkar, 2001). Galan et al. (2007) predicted that the cultural differences between the home and host nations would significantly impact a firm's desire for cluster membership and any potential benefits. Businesses from countries with differing levels of cultural separation will have varied needs for complementing cluster resources and access to them (Sethi et al., 2003). However, predicting the course of this impact is difficult. For a variety of theoretical and empirical reasons, the influence may change. On the one hand, companies from culturally-distant nations might have a greater need to familiarize themselves with the host country and take advantage of the cluster location to overcome these obstacles (Zeng et al., 2013). They may require extra local complementary resources, even though these resources or those that can be relocated within MNCs may not be as well suited for the international market.

Substantial cultural disparities between the home and host countries can make it difficult to fully participate in the local dynamics that foster shared experiences and collective learning, ultimately determining the advantages of cluster location (Zeng et al., 2013). Despite numerous empirical investigations on the subject, there is still no solid evidence linking cultural distance and cluster placement. According to Wymbs (2001), cultural distance significantly impacts foreign companies' investments because those from culturally remote nations tend to settle close to established knowledge centres to overcome the city's knowledge acquisition obstacles and compensate for cultural differences in tacit knowledge transfer. Conversely, Chung's (2001) research demonstrates that cultural distance is adversely related to MNCs' proximity to their locations in the US, as Japanese MNCs tend to select locations that are distant from the hub of activity in pertinent industries. According to other studies, Japanese businesses avoid economic clusters because of cultural barriers preventing them from participating in local dynamics (Friedman, Gerlowski and Silberman, 1992).

2.3.2.3 Geography

Since the end of the Gulf war, Oman has positioned itself as a war-free and politically-stable environment (Zind, 2001). Foreign investors find Oman desirable due to its advantageous location and business-friendly legislation. Almohsin et al. (2018) conducted a study to understand how the location of a country affects FDI inflows in Oman. According to their analysis, Oman's geographic position at the meeting point of several areas offers a huge advantage, making it a hub for global trade and investment. Indeed, Oman’s strategic location within the Strait of Hormuz, bordering the Arabian Sea to the east, and the stretch of the Omani coastline make it a vital trading centre among the GCC countries and Asia. Furthermore, it allows companies to tap into a broader foreign market in Europe and Asia. Moreover, Oman enjoys connectivity through highly efficient air and sea transport.

2.3.2.4 Trade Openness/Business Growth

Omanwa (2013) conducted research on location advantages as FDI determinants in Kenya and discovered that market size and openness were the leading factors between 1996 and 2009. Naeem and Azam (2005) conducted a similar study and found that market size, degree of openness, domestic investment, indirect taxes, and external debts influence FDI inflows. Adding to these contributions, Muhammad and Mohammad (2012) concluded that economic growth, financial development, and imports were the major factors attracting FDI. Mina (2007) stated that location advantages exist in changing political situations and enhance the working environment of MNCs. He emphasised the importance of host countries' relationships with other nations and with international markets.

Trade openness is critical in measuring a country’s involvement in the global trading system. Alotaibi and Mishra (2014) defined trade openness as the ratio between the totality of exports and imports and GDP. According to Zaman et al. (2018), a relationship between FDI and trade openness exists. The authors employed a new regression model to define the nature of this relationship in the case of India, Pakistan, and Iran. Data from the study indicated that a higher level of trade openness positively correlates with inflows of FDI. Studies by multiple scholars have found that trade openness attracts the best investment opportunities (Grossman and Helpman, 1991). However, FDI inflows are not influenced by trade openness alone. Other factors, such as exchange rates and inflation rates, play a critical role. Therefore, Zaman et al. (2021) concluded that maintaining a high degree of trade openness is critical for sustaining FDI inflows.

According to Dalwai et al. (2019), trade openness increases the movement of investment and resources in and out of a region or country. Therefore, countries with free and open trade policies are likely to benefit from FDI inflows. However, Khamphengvong et al. (2017) observed that most countries develop strict trade policies that often discourage investors.

Studies have revealed that open trade and investment encourage countries to participate in global value chains (Farole and Winkler, 2014). According to the World Bank global competitive report for 2017/18, human resources related to skills, the infrastructure, risks, the stability of the business environment, the regulatory environment, exchange rates, and the size of the market are the factors that attract foreign investors to a country (World Bank, 2018).

Despite having a positive impact on investment and FDIs inflows, Khamphengvong et al. (2017) stated that trade openness has disadvantages. These disadvantages stretch beyond FDI inflows and outflows to the general economics of the country. Nevertheless, Belloumi (2014) argued that the benefits surpass such disadvantages. Nevertheless, trade openness should be undertaken to support a robust policy framework designed to enhance economic growth in the long term.

Joshi and Ghosal (2009) argued that FDI is the key source of economic development in GCC countries. Factors helping to achieve this include affluent markets, high purchasing power, infrastructure development, and institutional quality.

Al Shubiri (2016) investigated the factors that attracted FDI to Oman and found that the leading factors are annual GDP growth, investment expenditure, and the velocity of income. Using the vector error correction model (VECM), Ibrahim and Abdel-Gadir (2015) reported that for the period 1980 to 2013, natural resources and the size of the available markets positively influenced FDI inflow into the Sultanate of Oman. By contrast, a negative influence was noted with regard to the degree of openness and the rate of inflation.

In Oman, the existing policies encourage free trade, especially regarding imports and exports. For example, the government has signed a Free Trade Agreement with the US. This differentiates Oman from its neighbouring GCC countries, adds to the list of competitive advantages, and attracts a wide range of investment opportunities for domestic and foreign investors. For instance, American businesses that desire to open branches can even obtain contracts that may include the Sultanate of Oman's shareholding. Hence, an increase in FDI inflows can be seen in the last decade.

2.3.2.5 Hard and Social Infrastructure

Governments play a pivotal role in attracting FDI to a country. In some countries, they also use innovation and infrastructural development to attract more foreign investors.

FDI regularly seeks the advantages of reliable infrastructure when selecting a suitable location for their investment. Location infrastructure is considered by numerous authors such as Wilson and Baack (2012), to be an essential factor in the FDI domain. Singh (2013) supports applying internalisation theory to the location choice with regard to investments by suggesting that this aspect might motivate MNCs to consider location infrastructure as an essential factor when deciding to invest abroad (i.e. first and foremost, infrastructure is an “L” factor). Resources also include a well-developed infrastructure and communications networks, which are essential for any form of business. The lack of a proper and modern infrastructure could prove to be a logistical and operational nightmare, which would most likely harm any business's bottom line.

In a study by Kumar (2017), infrastructure, the size of the economy, and trade openness were significantly and positively related to attracting FDI in India and Indonesia. China recorded that the existence of roads was the main determinant of FDI in terms of greenfield investment (Gopalan et al., 2019).

By contrast, Geisler, Pedersen, Devinney, and Tihanyi (2011) highlighted that location is not an important factor by itself, because in this contemporary era of globalisation, the location of advanced technology is not an important factor. He claims that a location advantage must complement firm-specific strengths and possibly augment them. He adds that other aspects such as good roads, effective communication networks, and interconnectivity need to complement each other for a successful business.

Dkhili and Dhiab (2018) argued that most GCC countries have advanced infrastructures and sustainable energy sources, and have significantly improved their global ranking in the World Bank's Ease of Doing Business Index. These factors have helped GCC countries attract FDI and benefit from transferring technology and know-how to their domestic markets.

In a different study, Al-Mukhaini and Al-Badi (2018) examined the effect of location and infrastructure on FDI in Oman. They reported that Oman's strategic location and cutting-edge infrastructure make it appealing to foreign investors.

The government of Oman has invested in transport infrastructure because it is one of the key pillars of the country's diversification plan (Al Tamimi and Co, 2018). As indicated in the existing literature, Oman has focused on expanding its ports, concentrating in particular on Salalah and Sohar and on greenfield free zone sites at Duqm. The airline network is similarly expanding with the modernization of major airport facilities and their subsequent extension through the opening of new terminals (e.g. Muscat and Salalah).

Furthermore, Oman's utility industry has invested significantly in creating plans for renewable water and electricity. The government has rolled out projects and regulations to harness power from wind farms and solar plants. The sustainability aspect this demonstrates is an element that attracts investors (Yildirim, 2014).

Finally, from a social infrastructure perspective, access to public services and general facilities is considered a unique offering in Oman (Mellahi and Guermat, 2003).

2.3.2.6 Corruption/Governance

Foreign investors may encounter major obstacles as a result of corruption, which makes doing business more expensive and less transparent. Corruption has a detrimental impact on corporate productivity. Generally, good governance increases FDI attraction with countries that create a good governance environment reporting an increase in foreign investment. By contrast, poorly governed countries experience an increase in instability and general costs.

Corporate governance refers to the system of direction and control that dictates a company's management. This system incorporates rules, practices, and policies that oversee company operations, making it an (“O”) factor of OLI. Dalwai et al. (2019) associated corporate governance with the increased success of an organisation. This association stems from the fact that corporate governance encourages accountability, transparency, and security. Globalisation has led to an increase in FDI inflows. According to most investors, when organisations are associated with international business operations, their structure in relation to corporate governance has a significant impact on the inward flow of FDI.

Oman is among the most peaceful countries worldwide and is considered one of the best places in the Gulf to start and operate a business. The country has retained and significantly increased FDI inflows from its major investors through good governance. Moreover, the country has continuously extended its friendship and good governance to the world. The Foreign Capital Investment law demonstrates its continuing efforts to create new opportunities, thus bringing the world closer to Oman.

In addition to establishing anti-corruption organisations to combat corruption, the Omani government has strengthened legal and regulatory frameworks. Additionally, Oman has ratified several international anti-corruption agreements, including but not limited to the UN Convention against Corruption to ensure it aligns with international polices against corruption. Oman scored 54 out of 100 in the Corruption Perceptions Index (CPI), placing it 53rd out of 180 nations (Transparency International, 2021; Oman Observer, 2021). This implies that Oman's corruption problem is still mild, but with some areas of concern. It is important to note that corruption frequently occurs in secret and remains unnoticed, so it can be challenging to gauge and quantify. Also, different organisations may employ various procedures and standards for determining the levels of corruption, producing a range of outcomes. Therefore, it is crucial to use caution when interpreting any figures on corruption in Oman and to consider various informational sources.

There is also another perspective on why battling corruption can be beneficial. Numerous studies (Baghirzade, 2012; Sharma and Gani, 2004; Ausloos et al., 2019; Reiter and Steensma, 2010), have revealed that FDI and the human development index (HDI) are directly correlated, The effect of FDI on the HDI relies on several variables, such as the extent of corruption and governmental constraints. According to Hamdi and Hakimi (2022), when corruption is low and foreign investors are not subject to discrimination, the two measures have a favourable association. The FDI-HDI link can be strengthened by holding the government responsible. Moreover, there is a link between trade openness and HDI (Hamdi and Hakimi, 2022). For instance, research suggests that openness favours living standards, but this growth only happens in the presence of particular changes (Kabadayi, 2013). It is important to remember that the impact of trade openness on poverty and human development is still inconclusive. Thus, encouraging this link is essential for advancing any nation's HDI (Kabadayi, 2013). Many of today's oil producing nations have established several policies, initiatives, including diversifying the economy, and rules to improve the business climate for foreign investors, which have contributed to an increase in FDI growth and economic division (Mosteanu, 2019). These investments led to increased businesses, employment possibilities, better pay, and economic growth, all of which raised the standard of living for residents of those nations. More options for employment, healthcare, and education became available to the populace, promoting greater human development.

2.3.2.7 Transparency

Said et al. (2013) stated that progressive countries attract FDI through appropriate leadership strategies involving good governance. This is because governance entails the creation of power balances that influence social and economic resources. The researchers argued that the judiciary has become more independent, and as a result of fair and transparent laws, fair decisions have been made. Hence, increased transparency and a relationship between governance and FDI flows has been identified. In short, countries with good governance receive more direct investment (World Bank, 2002).

The idea of good governance plays a prominent role in international development. As such, transparency issues have been a critical component of governance in organisations and in ensuring FDI flows. Securing FDI in environments with poor governance has been somewhat difficult. Therefore, effective formal institutions in developing countries tend to play an essential role in enhancing development.

2.3.2.8 Cost of Doing Business

Qian and Delios (2008) analysed data from 21 foreign investments in Japan to understand their internalisation motives. Their research identified five key benefits that motivated Japanese FDI to internalise their business: seeking clients, market mode of entry, information and knowledge, intangible assets, and high marginal profit.

Singh (2017) outlined that benefits such as access to raw materials, a low-cost workforce, low-cost power, the availability of skilled labour, an excellent logistical framework, and a reliable supply chain can motivate MNCs to select a particular host country for their expansion.

Resources are key factors in ensuring the productivity of a company. These include human resources and the accessibility of such resources. Previous studies have demonstrated that the accessibility and availability of resources are crucial factors in attracting FDI. For instance, Hayat (2018) investigated the impact of national resource abundance on the host country's FDI-growth nexus. He identified a positive and significant impact of FDI inflow on economic growth and the role of the national resources sector on FDI attraction to countries with rich national resources.

In their study, Kucera and Principi (2014) studied the outflow of US FDI to 15 industries in 54 countries. They argued that some Sub-Saharan countries attracted US FDI mainly due to the ready access to raw materials. Further examples of US FDI with regard to GCC countries relate to access to mining, oil, and gas extraction in the Middle East and Gulf countries. Nunnenkamp et al. (2012) described China as an ideal example of using FDI to access Sub-Saharan countries' domestic markets to gain access to national raw materials. He concluded that countries lacking raw materials would not be attractive destinations for India’s FDI.

Exchange rates fundamentally influence FDI. When a country has a weak currency, foreign companies are unlikely to invest. Exchange plan security in an investment location depends on the predictability of the exchange rate (Behera et al., 2008). When exchange rates rise, this increases FDI, which is attracted by a strong and growing currency. The exchange rate refers to the cost of one currency in relation to another (Mishkin and Eakins, 2006). The value of the foreign investing company's actual earnings in local currency is reduced because of high inflation rates, as asserted by Buckley et al. (2007). When a country has low inflation, this indicates national economic stability, attracting FDI.

Moreover, inflation rates in the host country are also an indication of good governance. The inflation rate refers to the percentage change in the monthly consumer price index. The concept of inflation stems from the decline in the purchasing power of a currency over time. Thus, the interaction between inflation and FDI is dynamic. The previous literature indicates that FDI is a critical aspect of the development process. A study by Mustafa (2019) identified a causal-effect relationship between inflation rates and FDI. However, it failed to determine the nature of the relationship and its significance.

Dalwai et al. (2019) stated that inflation rates have often been used to reflect a government’s economic competence and as an indicator of internal economic fluctuations and national economic stability. Buckley et al. (2007) reported that high inflation rates cause a decrease in actual value revenue in the local currency. Hence, investment on the part of local companies is severely affected. As a result, low inflation rates are an indicator of internal stability, thus promoting the international flow of FDI. Nevertheless, it is essential to consider the role of inflation with regard to the economic environment. According to Dalwai et al. (2019), inflation is critical for managing the macroeconomic situation, such as higher rates of inflation leading to low FDI inflows in a given country. This is because investors are unwilling to risk the benefits they expect from their investment. In the long run, inflation means the macroeconomic environment becomes unstable, reducing FDI. Therefore, more studies must be conducted to link FDI, inflation rates, and economic growth. This proposition stems from the notion that FDI is a conduit which transmits the effects of inflation to economic growth and the consequent economic development.

2.3.2.9 Ownership

Singh (2017) argued that host countries with attractive ownership benefits accelerate the productivity of MNCs due to the availability of the host country’s resources and business support systems. A business support system could, among many other factors, be the factor that encourages a business to operate in a given country or region.

Several researchers have presented ownership advantages as determinants of FDI inflow. For instance, Rui and Rosa (2010) noted that most countries wishing to attract FDI do so to acquire advanced technologies from nations that already possess these technologies. This aspect relates to the ownership advantage of OLI as the host country needs the investing firm's technological capabilities. However, concerns always exist regarding the high risk of reduced access to natural resources and livelihood loss, which is likely to generate local opposition to external investment. As such, MNCs should assess the competitive advantages they possess that can be transferred abroad to minimise their liability of foreignness, which is the inherent problem that MNCs experience in host countries due to their status as non-native businesses. Thus, MNCs should build on their competitive advantage bases to establish domestic innovation capability as well as conferring some benefits on local communities.

2.3.2.10 Taxation

Rugman (2010) asserted that internalisation benefits are concerned with the mode of entry of MNCs to a foreign country. He assumed that higher benefits and incentives in the host country could lead MNCs to internalise their business and attract benefit-oriented countries. The concern associated with using incentives such as tax exemptions and cheap utilities to attract FDI was addressed as a critical risk relating to FDI attraction.

Governments play a pivotal role in attracting FDI to a country. Imposing fair company taxation policies and technological advancements can attract more FDI. Authors such as Morisset and Pirnia (1999) considered the importance of a country's tax regime in terms of FDI attraction as one of the key offerings that host country governments can make to MNCs thinking of investing in their country. They highlighted that the most critical element related to MNCs regarding the tax system in the host country are tax instruments implemented in the host country to attract FDI. This almost contradicts the findings of Keenan (2015), who considered the specific location and institutional characteristics of each country, and argued that the tax rate is not as crucial as other market-related determinants with regard to FDI attraction. He investigated the situation in India, China, and Japan and concluded that each country has its specific taxation and implementation procedures. Currently, there is no personal income tax in Oman.

2.3.2.11 Overall Labour Quality

In her thesis examining the factors attracting FDI into Portugal between 2000 to 2019, Ferreira (2018) concluded that the critical (“L”) factors are low labour costs, high level of labour skills, and market size.

Aziz and Mishra (2016) argued that FDI attraction to GCC countries is determined by factors such as location benefits, government policies, regulations, and national resources. Other indirect attraction elements include high-quality institutions and an educated labour force.

Bossdorf, Engels, and Weiler (2013) explored the motivation for EU business attraction to GCC countries and concluded that the core determinants were the availability of national resources, outsourcing activities based on the availability of specific skills, a lower-cost workforce, and access to GCC markets.

Al-Mukhaini and Al-Badi (2018) cautioned that the lack of skilled workers and the scarcity of local suppliers would limit FDI inflows. Despite a shortage of skilled labour, Oman has a high literacy rate and an increasing pool of skilled people (Oman Investment Authority, 2020). This makes it the perfect foundation for businesses looking to develop their activities in the Middle East and North Africa region.

The Omani government has initiated various projects to enhance workers' technical and scientific expertise. Among these projects are the Omanization policy. This increases the share of Omanis working in the private sector while prioritizing technical and vocational skills development.

2.3.2.12 Labour Regulations

Governments play a pivotal role in attracting FDI to a country. This can be achieved by implementing fair labour policies to ensure acceptable wage costs.

According to Banga (2003), the Indian government competes with China to attract IFDI. He argues that the role of the Indian government is connected with subsidizing labour costs, increasing labour productivity, and boosting educational attainment to ensure that it is competitive with China.

Although the effects of FDI on labour markets have been thoroughly studied, several issues still require further investigation (Scarpetta, 1996). One of these aspects is the potential for multinational corporations (MNCs) to exert varying effects on host labour markets depending on the circumstances of the investment and the nation from which it originated (Almond, 2011, Edwards et al., 2007). In essence, variables such as institutional frameworks and funding sources may limit the impact of these investments on labour markets (Ferner et al., 2001). Government interventions in the labour market seek to balance the power between employers and employees through measures such as active labour market regulations, minimum wage laws, and the Employee Free Choice Act, as well as promoting labour market flexibility for businesses (Wilthagen and Tros, 2004). Few studies have examined how firms react to labour market laws and modify their economic operations. By contrast, most sociologists have examined the effects of such policies on workers' well-being. These studies have demonstrated that companies frequently relocate their operations to areas with a business-friendly environment so they can escape onerous tax laws, take advantage of low minimum wages and labour market deregulation, and increase profitability (Rao et al., 2011; Schrank, 2013; White, 1983; Bandelj, 2002; Holmes, 1998; Murphy, 2004).

Based on the theoretical premise that MNCs try to avoid high production costs, numerous researchers have investigated how labour market institutions influence the decisions of MNCs to invest in certain areas. Workers' rights (Kucera 2001), wage rates (Bellak et al., 2008; Braconier et al., 2005; Wheeler and Mody 1992), and labour relations systems (Cooke and Noble 1998; Delbecque et al., 2014; Ham and Kleiner 2007; Radulescu and Robson 2008) are some of the factors that can affect the extent to which MNCs operate cost-effectively. Although such research has provided insight into how labour market laws affect organisational behaviour, it has concentrated chiefly on overall company patterns rather than the reactions of foreign investors. Overall, it reveals that corporate behaviour impacts FDI and that labour market outcomes stem from institutional influence. FDI has increased in many emerging nations, particularly those with relatively poor labour standards, raising the question of whether this is due to the countries' liberal labour regulations or other regional reasons.

Workers view FDI in manufacturing moving to emerging economies in developed countries as a loss of low-skilled, labour-intensive jobs in their own country (Kokko, 2006). They contend that MNCs relocate their operations abroad to profit from deliberately lax labour laws and low pay. As a result, they call for punitive actions such as trade restrictions against nations that maintain low labour standards to draw FDI. However, some analysts contend that this perspective may be erroneous because trade between developed and developing countries is still too small to have such an impact (Krugman, 1995). Other elements, such as developed nations’ trade imbalances, cyclical swings in economic activity, advanced nations’ slow long-term growth, technological advancements, and modifications to these nations' economic and social policies, may be more to blame (Singh and Zammitt, 2000). Although there may be some losses in the unskilled manufacturing sector, these can be offset by profits from cheap imports and salary rises in the skilled sector. As a result, favourable labour conditions in other countries draw FDI.

By contrast, labour standards are viewed as a luxury in developing countries (Piore, 2004). Many developing nations argue that labour standards will inevitably rise once economic development reaches a certain point. Any initiatives to raise labour standards prior to this will elevate the average labour cost, reduce their ability to compete internationally, and impede their economic growth (Locke, 2013). Hence, rather than vice versa, these nations prioritise economic expansion over higher labour standards (Davidov and Langille, 2011). Several developing countries typically accuse industrialised nations of denying them fair access to their markets and citing labour standards as justification for protectionism (Sengenberger, 2005). According to many developing nations, a comparative advantage exists in low-skilled and labour-intensive sectors. By contrast, developed nations believe in having a comparative advantage in high-skilled, capital-intensive manufacturing sectors. Developed countries oppose free trade principles by attempting to weaken their comparative advantage through an increase in labour standards (Sengenberger, 2005). It is evident from reviewing both sides that there are some compelling arguments and that reaching an agreement is difficult. Even though it is likely that some of the workers in industrialised countries have protectionist intentions, it is obvious that the campaigners genuinely want better working conditions.

Foreign investors' decisions to invest in a given country are highly influenced by the legal system and rules governing labour laws in the host countries. Oman ranks 68th out of 190 nations in the World Bank's Doing Business 2022 report with respect to the ease of doing business, indicating that the nation has made strides in fostering an environment conducive to business operation. Nevertheless, there has been discussion over Oman's labour laws and regulations among academics, decision-makers, and investors. Al Hinai and Khan (2017) examined the connection between FDI and Oman's labour legislation. According to their study, Oman's rigid labour rules, notably those governing hiring and firing, have discouraged international investors from investing there. They contend that Oman's labour regulations should be changed to allow for more flexibility so that foreign companies feel more inclined to invest there. However, Al Balushi (2019) discovered that luring foreign investors to Oman has been significantly aided by the country's labour regulations, which guarantee equitable treatment for both Omani and foreign workers. Al Maawali (2000), on the other hand, confirmed that Oman's labour law measures, such as limitations on the hiring and firing of workers, constrained working hours, and high minimum wages deter international investment.

2.3.2.13 FDI Policy/Regulations/Incentives

According to Dunning (2015), the effectiveness of FDI policies and regulations depends on their capacity to encourage investment flows. These regulations should create an atmosphere that promotes investment while protecting investors' interests. This can be achieved by fostering a sound macroeconomic environment, establishing clear legal and regulatory frameworks, and building the necessary infrastructure. Borensztein et al. (1998) argued that nations with favourable investment climates and advanced legal systems typically draw more FDI than those without. Governments frequently deploy investment incentives to encourage FDI, including tax cuts, subsidies, and grants. Even though some academics contend that investment incentives can successfully lure FDI (Javorcik, 2004; Globerman and Shapiro, 2002), Barrios et al. (2010) argue that they can lead to a dependency syndrome and skew investment decisions, rendering them ineffective over the long term.

According to FDI theory, multinational firms decide where to locate their offices based on the relative advantages of various countries for particular jobs. MNCs seeking such resources will be attracted to a location with a surplus (Dunning 1993). This hypothesis, however, is predicated on the idea that all MNCs operating in a particular industry value a particular locational advantage equally, and that this advantage helps all businesses equally. However, this is not always the case, so policymakers should be aware that there is variation among enterprises regarding the allure of particular locations. Thus, MNCs may need a variety of incentives to influence their location choices depending on their distinctive qualities and how they value such geographical advantages. Studies have shown that smaller businesses collabourate more frequently than larger ones (Rauch 1993, Shaver and Flyer 2000). This tendency can be explained by the fact that larger enterprises typically pay more to agglomeration externalities and hence have less to gain from them. This may account for the lesser likelihood of agglomeration among larger businesses (Shaver and Flyer, 2000). Despite not concentrating on spatial concerns directly, Zhao and Zhu's (1998) findings support this assertion.

Although there are multiple benefits of FDI, these can only be achieved through proper policy interventions on the part of the host country. Additionally, a government may offer tax reliefs and other investment incentives to make the investment environment friendlier. A large number of countries are under immense pressure from competitors who have better business environments, such as a superior infrastructure and closer proximity to the market.

Studies such as that of Addison and Heshmati (2003), who investigated Latin American FDI, have found that economic and political openness are critical factors with respect to FDI attraction. They argued that this is fundamental because there is little red tape when it comes to successfully setting up a business in the host country.

The acceptance of FDI can be seen in situations in which national policies are lenient toward foreign investors. For instance, Singapore directs all its economic efforts to attract FDI investments and create a suitable trade environment for foreign investors (Owusu, Xin, and Cobbold, 2020). These strategies are what have made the countries one of the leading business hubs in the world, where it is easy for foreigners to do business. Some of the national policies lenient towards foreign investors in the country include tax incentives and exemptions, favourable loans for foreign investors, and pro-business legislation. These investor-friendly policies are the reason for Singapore's nomination as the eighth leading FDI recipient worldwide by the UNCTAD Global Investment Report (2013). Singapore mainly attracts investments from the US, Japan, and the Netherlands, enabling various incentive schemes for foreign entrepreneurs (Casella, Bolwijn, Moran and Kanemoto, 2019). Similarly, Wint and Williams (2002) highlighted that the government of Singapore's model has helped shift FDI from innovative countries like the US to countries like Singapore, which were developing at the time. The authors stated that developing countries successfully attracted FDI due to policy changes and the establishment of institutions dedicated to FDI attraction.

Monaghan (2012) explored FDI attraction and retention in the Republic of Ireland. Her study focused on the locational characteristics of host countries, such as employment, workforce skills, and knowledge transfer, which provide benefits to MNCs and create attraction gravity. She also highlighted the potential of dynamic affiliation between the institutional network of FDI and engaged actors and bodies in terms of FDI attraction. She reiterated that the factors mentioned above have played a crucial role in FDI growth in Ireland. The importance of subnational institutional bodies also plays a key role in attracting FDI to Ireland. These include coordination with public services such as the provision of infrastructure, engaging in the attraction and retention of FDI, the provision of financial incentives and funding's access to local resources, access to reliable suppliers, awareness of policies and regularisation systems, the generation of skills development, facilitating a skills ecosystem, and access to a localised skilled and professional workforce.

Focusing on the Baltic States, Saksonova (2014) identified seven key factors that improved the attractiveness of the Baltic States in terms of FDI. As depicted in Figure 4, these factors focus on the "L" aspect of OLI. They include the stability of the macroeconomic environment, the country's economy, the competitiveness of the country, the taxation regime, the quality of the infrastructure, policy actions that favour entrepreneurial activity, and the political environment.

Figure 4: Country Investment Climate (Saksonova, 2014)

Dorożyński, Świerkocki, and Urbaniak (2014) argued that the central role of governments is related to policy setting and infrastructure availability. The belief is that governments globally compete for FDI through a set of incentives, tax relief policies, and various promotional activities. Among the critical points they highlighted are governments granting MNCs access to public services and facilities, the provision of essential business information, and complying with requisite formalities during implementation.

Dua and Garg (2015) examined the factors affecting FDI flows to India. They classified the determinants of FDI in terms of (a) microeconomics, which concerns internal factors related to MNCs, and (b) macroeconomics, which is connected with a country seeking FDI. Their empirical results indicated that FDI flows to India are determined by government policies such as tariffs and taxes. Their study also highlighted that an increase in global FDI flows to other emerging economies reduces the FDI flow to India. Consequently, India's attractive characteristics are not competitive compared to those of other emerging and competing economies. Their findings indicated that lower wage rates in India, a well-developed infrastructure in most parts of its regions, the large size of the economy, and the higher potential for economic growth are the main factors that attract international firms to invest in India.

Because many countries have similar investment policies, a given country can position itself as the best investment destination through the promotion of a friendly business environment. As described above, a large number of policies influence foreign investors, and GCC FDI policies and regulations are the primary motivating factors with regard to FDI inflow to GCC states (Hussein, 2009). The majority of GCC states have established foreign laws to attract FDI.

Among GCC countries, countries like Bahrain have taken the most wide-ranging steps to allow 100% foreign ownership in several sectors, including real estate, communication services, and the introduction of the Bahrain Industrial Park.

The Omani government was able to deal with the image problem on the part of some investors, who view it as a business environment hostile to FDI (Gulf Business, 2001), by taking a number of initiatives and promoting its efforts to the broader investment community.

The Government of Oman started this back in 1994, when modifications to the guidelines for foreign capital investment were sufficient to motivate foreigners. This included the provision of tax breaks, the removal of limitations on possession and entrance, unrestricted transfer of money and returns, electricity support, exemptions from fuel and water duties, tax reduction on imports for capital goods and inputs, offering duty-free access to products from Oman to other GCC nations, affordable land on small leases, and easily accessible public loans (Pauceanu, 2016).

According to a report by Albasoos and Al-Khamisi (2021), the Omani government has enacted multiple policies to draw FDI, including tax incentives and reduced bureaucratic procedures. As a result, FDI inflows to Oman have increased, particularly in the manufacturing, tourism, and logistics industries. 2019 saw the introduction of a 10-year tax break for businesses making investments in the manufacturing sector (Nassar and Omran, 2021). This policy has promoted business investment in Oman's manufacturing industry, increasing employment opportunities and economic expansion. Moreover, the Omani government has set up a one-stop shop to process investment applications and offered online services for licensing and company registration (Espinosa and Al-Maimani, 2010).

Today, Oman has a free and open economy with no restrictions on foreign investment. In order to enhance and promote FDI, Oman has put in place several financial and economic strategies, the most beneficial being ‘Vision Oman 2020’. This strategy underlines its desire to diversify the economy and increase the contribution of the private sectors so as to increase local and overseas investments. The favourable business environment in Oman includes more liberal entry into the economy, fewer performance requirements, and incentives to foreign investors. Mellahi et al. (2003) noted that the Omani government has introduced several investment incentives. According to UNCTAD (2020), Oman has promulgated a set of laws that govern privatization, public-private partnership, and foreign capital investment, the aim being to create a more favourable regulatory environment for investors.

The country is credited with enacting a new legal framework that has opened its economy to more foreign investors. It has regulated and governed the status of firms owned by foreigners by enacting commercial laws and legislation that protect intellectual property rights. Specifically, it has changed its laws, liberalized the business environment, and facilitated foreign investment to advertise the country as the best investment location (Mani, 2002). Access restrictions have been eradicated, the minimum capital requirements have been lowered, and ownership restrictions have been abandoned. The law also provides for capital and profit repatriation. Moreover, foreign-owned companies are preferentially treated with a corporate tax exemption for the first five years of inception (Hussein, 2009).

Furthermore, and in the spirit of attracting FDI, the Sultanate of Oman introduced the Foreign Capital Investment Law that came into effect in January 2020 (Manoh, 2020). This law was promulgated by Royal Decree 50/2019 with the aim of creating a favourable environment for investment. The law is designed to provide investors with several incentives, including 100% foreign ownership, a reduction in capital requirements, the allocation of real estate properties for long-term leasing, and exemptions from custom duties. Under this law, foreign investors will receive the same rights and benefits as those accorded to Omani business owners.

Additionally, the banking system, as outlined by a state government annual report in 2020 (Investment Climate Statement 2020), and the Central Bank of Oman (CBO) in particular, has played a major part in attracting investors. The banking system offers some of the best services in order to create awareness of the key aspects of economic development in the country. In addition, the currency (the Omani Riyal) is pegged to the US dollar, making it a stable currency for foreign investment purposes. Equally, the Wholesale Banking Group offers a comprehensive portfolio of banking solutions.

Due to these actions, starting a business in Oman is quicker and less expensive, attracting foreign investors. The new legal and economic frameworks have made Oman a favourable destination for increasing foreign investors following the lifting of many restrictions in the 1990s. The development plans, the political situation, and the country's socio-economic development are seen to attract FDI to Oman. Political and economic stability have been reported as the two main reasons for investing in Oman (Rana et al., 2020).

Another aspect of FDI Policy and Regulations is a concerted push by governments to create and operate Special Economic Zones (Al-Muharrami, 2019). Free Economic Zones are designated by trade and commerce administrations, and the companies located in such areas are lightly taxed to encourage economic activity and make them more productive. This is one of the specific actions relating to the “L” factor of OLI that a government can take to attract FDI, as is the case in Oman. Free zones are designated to generate income and employment opportunities, attract investment, and promote technological transfer. This also helps to ensure disadvantaged areas are improved. Governments can also play an essential role in creating free zones that encourage MNCs to invest in their country. FDI working platforms such as free zones, along with industrial and economic zones, are the platforms on which FDI is normally located. According to UNCTAD (2019), global FDI in 2018 was USD 1.3 trillion, with more than 5,400 zones across 147 economies. In their report, UNCTAD highlighted the existence of more than 500 new special economic zones in the pipeline, which are expected to be operational in the next five years. Furthermore, Bost (2019) highlighted more than 82 different terms used by various countries to classify free zones. He stated that the use of the term “special economic zone” is intended to be more encompassing than the term “free zone,” which is no longer suitable for many zones due to the adoption of special technologies, new services, and sustainable development (see Figure 5).

According to Davies and Desbordes (2018), export processing zones are considered the best model to facilitate international trade by lowering trade costs such as import duties and export taxes. They argued that export processing zones have a significant and positive impact on manufacturing FDI investments involving production setups. The best structure for free trade zones that support MNCs by encouraging them to enter a new market was discussed by Qin and Xu (2016). They argued that certain factors in free zones motivate MNCs to engage in FDI. Some of these factors include the fact that the main objective of these free zones is to attract FDI, and, as such, governments have made it easy as possible for foreign investors to invest in their country.

Figure 5: Special Economic Zones and Free Zones (Bost 2019)

Additionally, these free zones are characterised by new policy reforms, including legal and pricing policies that are often tested in the free zones before they are applied nationwide (Lucke and Eichler, 2016). China's financial, labour, legal, and pricing policies are good examples of this. For example, the Chinese government created the Shanghai Free Trade Zone to promote port trade, new investment opportunities, and offshore free trade, and to open up the economy for FDI.

Graham and Lam (2003) emphasised that China's export processing zones have been successful in attracting FDI to China. He argued that this is due to attractive government policies that benefit foreign investors. There are several advantages associated with Free Economic Zones. For this reason, countries such as China have decided to open up an increasing number of free zones in order to benefit from the economic advantages associated with these zones (Graham and Lam, 2003). One move made by the Chinese government was to open the country to FDI, which made export processing zones attractive due to the benefits they offer regarding FDI. Graham and Lam (2003) also attributed China's success as the preferred destination for FDI during the 1990s and first years of the twenty-first century as being largely due to the early success of their special economic zones. Lucke and Eichler (2016) suggest that the role of foreign investors is critical for the existence of FDI.

According to Farole and Akinci (2011), one of the new powerful competitive advantages is that of foreign investors using the location advantages of free zones to link up with regional suppliers and leverage production economies of scale.

Rolfe (1993) conducted an empirical study in the Caribbean region involving 17 countries to identify MNCs' incentives in free zones. He explained that foreign investors welcomed the incentives offered by trade zones, including the relaxation of foreign exchange policies, loan guarantees, cash grants, land grants, income tax holidays, and assistance with feasibility studies, all of which ensure that the cost of investing in a new country is reduced significantly and that the levels of bureaucracy are reduced.

Mina (2007) stated that the UAE introduced the first trade policy in 2006, resulting in 23 free zones to attract FDI. He argued that the UAE model was unique compared to other GCC states in terms of expansion, and there is a wide range of free zones.

Oman also pursued a strategy of FDI attraction through the establishment of Free and Economic Zones that offer foreign investors essential infrastructure and superstructures to start their Omani investments. The government has introduced a series of specific policies to attract FDI by establishing free zones, industrial zones, and special economic zones.

Free zones, also referred to as free-trade zones, are areas where goods can be received, handled, or even reconfigured and exported without the payment of duty to the customs authorities of the particular country. Industrial zones are areas with the necessary integrated infrastructure to facilitate the manufacturing and processing industries. Finally, special economic zones (SEZs) are areas within a country that are subject to different economic regulations from other regions within the same country. Industrial zones and free zones are examples of SEZs.

In addition, the future of FDI in Oman is bright due to the introduction of the Special Economic Zone and Duqm (SEZAD) (Public Authority for Special Economic zones and Free Zones, 2021). This zone involves the construction of an airport, a port, a refinery, and tourist facilities. The project will contribute to the nation’s diversification strategy by expanding the country’s export capacity and developing the logistics sector. The corpus of legislation has been modernizing to keep pace with the aspirations and expectations of investors. In the same vein, SEZAD provides investors with an integrated package of incentives and facilities, notably tax exemptions and the granting of usufruct rights for up to 99 years. All licenses required by investors are issued through the one-stop shop at branches in Duqm and Muscat. The project is expected to increase employment and economic activity in the Al Wusta governorate, a comparatively less developed region of the country. Data obtained from the Special Economic Zone reveal that the Duqm area alone has attracted $11 billion worth of investment.

Knowledge Oasis Muscat (KOM) is the platform that exemplifies the private-public relationship experience in Oman (Reform, 2012). It is a technology hub that helps FDI. It is extremely favourable to businesses that depend on foreign technology while establishing the bluechip multinationals that aspire to grow innovatively in a Gulf region setting (Hussein, 2009). Foreign investors are given 100% foreign ownership as an incentive, with a pre-requisite minimum capital investment of $US20,000 to access high-speed internet at very affordable prices. There is minimal involvement by the Oman government. Tenants in KOM can be registered on a tender board, allowing them to bid for state tenders, while workers' salaries in these companies are exempt from taxes and foreign exchange controls. The investors can freely access most products in the GCC from the Sultan of Oman, providing foreign investors from network meetings, environments, and events that boost interactions and mutual support (Hussein, 2009). This technology park has benefitted from FDI; investors have introduced foreign innovation, thus encouraging the economy to flourish.

Dalwai et al. (2019) state that creating change is the primary goal of any development framework. As such, the capacity for change in any country often depends on the quality of innovation and on critical technological improvements. This means that the inward flow of FDI is likely to come from MNCs with better corporate governance. This success stems from an administration's ability to direct technology and innovation to crucial aspects of development. Continuous innovation and other related factors such as licenses and the utilisation of technology, capacity for innovation, and technology transfer significantly affect the inward stream of FDI. Kayalvizhi and Thenmozhi (2018) acknowledge the role of experimentation and innovation in the attraction of FDI. However, evidence to support this notion is still lacking. This is because a limited number of studies have been conducted with regard to how readiness for innovation affects the inflow of FDI. Nevertheless, a motivational factor allows them to focus on developing the capacity of countries to adopt new technologies and enhance their innovation frameworks.

The spread of technology has been typical in both developed and emerging economies, with developed countries equipped with well-developed technologies attracting more FDI. One of its key impacts is adjusting the business environment and operating conditions. In emerging economies, progress in terms of development has been directed towards innovation. In particular, the focus has been on the quality of development and the general status of innovation. According to Kayalvizhi and Thenmozhi (2018), the critical area of focus when it comes to attracting FDI is that of innovation rates. Their study revealed that a combination of administrative and macroeconomic dependence is critical in attracting FDI for future development. In addition, higher innovation rates and enhanced macroeconomic conditions lead to a higher inflow of FDI.

According to Kayalvizhi and Thenmozhi (2018), examining the components that drive FDI in emerging economies is essential. This is because innovation has often been associated with changes in the economic growth of developing countries. In particular, innovation conditions are key to supporting competition and stable development rates. However, such an achievement requires an effective legislative framework and the protection of innovation. This will enhance FDI streams and the subsequent dependence on FDI for development.

2.3.2.14 Decision-Making Stability

To attract long-term investments, FDI rules must remain consistent. According to Asiedu (2006), unstable policies foster uncertainty, which deters foreign investors. Foreign investors find stable FDI policies more appealing because they provide a stable investment environment. Choi, Furceri, and Yoon (2021) also discovered that policy uncertainty reduces FDI flows, especially in emerging nations.

In Latin America, Sanchez-Martin et al. (2014) established location factors or advantages ("L") as the key FDI determinants. For instance, the researchers opined that government stability, low short-term debt levels, the openness of trade, low risk which is often linked to government stability, and balance of payment deficits in the host country were the main factors that attract FDI.

FDI policies include applicable laws in the host country and are implemented by special trade development institutions. Avioutskii and Tensaout (2016) argued that a host country's institutional environment and the political region affect the ownership, location, and internalisation aspects of the OLI paradigm. Such a debate emphasises the risks associated with the host country's business practices and policy changes.

Said et al. (2013) claimed that administration quality and political stability are the two key indicators that have significantly impacted FDI inflow.

Empirical Studies on FDI Attraction Factors - Conclusion

The discussion in this section has exhaustively presented the empirical arguments regarding FDI determinants in terms of FDI Attraction Factors. The disparate scholarly arguments presented have provided an in-depth understanding of the various reasons for MNCs engaging in international investments by providing real-life examples of host countries and investing countries. The next section will discuss the FDI determinants in terms of FDI Impact Factors.

2.4 Empirical Studies on FDI Impact Factors

A large number of researchers have conducted empirical studies examining the impact of FDI on host countries. Most have presented positive findings that indicate FDI has become a widely-accepted notion, especially in developing economies.

The ultimate aim of FDI n the host country is to initiate a change in GDP. However, its primary aim is to boost aspects such as productivity, employment, and other factors, which in turn increases the country's GDP. Different FDI authors have expressed different views about the impact on GDP.

This section reviews the empirical literature regarding FDI Attraction Factors. It is structured and organised by emerging themes in terms of the following FDI Impact Factors: *Overall Impact, Spillover, Employment, Human Capital Development, Overall Local Companies as well as Local Companies Opportunities, Competition, and Threat.*

2.4.1 Overall Impact

Johnson (2006) addressed different views on the relationship between FDI and growth with regard to the national economy of the host country. For example, FDI policies and laws, and the business environment, can determine whether FDI positively or negatively affects the host country.

Borensztein, De Gregorio, and Lee (1998b) conducted empirical research on 69 developing countries and found that economic growth is one of the most expected FDI outcomes. They argued that economic development could be in the form of capital, the advancement of technology, and human capital development.

Alvarado et al. (2017) concluded that FDI had a direct and significant correlation with GDP; in middle-income countries, although the effect appeared uneven and non-significant.

Iqbal (2016) highlighted that, for an export-oriented economy, FDI could have a positive impact on GDP. Bala, Salisu, and Sapsford (1996) performed cross-section data analysis and found that countries with export-promoting strategies exert more positive FDI impacts than countries with an import-substitution strategy.

Similarly, in their empirical study on the impact of IFDI on Armenia, Sargsyan and Harutyunyan (2017) concluded that FDI inflow to the country causes continual economic growth. They also highlighted that imported raw materials impact the inflow of FDI to the country. An increase in exports due to IFDI was one of the significant impacts observed in their study.

In an empirical study by Gopalan, Ouyang, and Rajan. (2018), it was revealed that raising Greenfield FDI over GDP by one percentage point increases average annual growth by almost 0.5%. An increase in FDI leads to higher growth rates financially, but the level of development of local financial institutions affects FDI's impact on the economy.

Nwaogu and Ryan (2015) investigated the impact of foreign aid, FDI, and remittances on economic growth in Latin America and the Caribbean. The authors discovered that for both countries, remittances and FDI affected the growth of the economy once estimated separately, but when estimated simultaneously, remittances negatively affected growth.

Similarly, Khan (2008), in his research on FDI in Bangladesh, reported that this initiative is growing on the global stage. FDI is considered one of the key factors of economic growth.

In their study, Biglaiser and Derouen (2010) reported that the International Monetary Fund (IMF) supports FDI, which may boost the participation of many countries, particularly with regard to technology, education, and health services, all of which lead to economic growth.

Khrawish and Siam (2010) analysed FDI risks in the financial and economic dimensions. They concluded that there was a direct relationship between the financial aspects of monetary incentives and the attraction of local skills, which reflect the value of FDI in improving the quality of life through its contribution to development and economic growth.

GCC countries have witnessed increased benefits of FDI in terms of per capita income due to their financial openness policies (Gammoudi, Cherif, and Asongu 2016). Other FDI benefits in the GCC include supplementing domestic investment, creating more employment opportunities, bringing in foreign managerial and organisational practices, and transferring technology.

The enormous potential of FDI in accelerating the speed of economic growth can hardly be overemphasised. It is evident that foreign investment has catered for income generation, job creation, and the effective utilisation of national savings to bring about economic growth. In addition, FDI has traditionally been found to attract technological know-how, skilled labour, entrepreneurship, and the direct flow of foreign exchange as a foreign resource. By supplementing the domestic resource base, these elements promote economic growth once they flow into the economy (Hussein and Ahmed, 2019).

Oman's business environment exhibited massive improvement and, as a result, ranked third among countries of the Middle East and North Africa (MENA) and 47th globally in terms of the ease of doing business, as per the classifications of the World Bank's Ease of Doing Business 2020 annual report. The income generated by the MNCs in Oman also adds to corporate tax revenue, which is beneficial for economic growth (Sulaiman, Rana and Shabbir, 2020).

Eudelle and Shrestha (2017) concluded that FDI in the Sultanate of Oman has improved productivity. Investment rules and regulations have substantially enhanced the movement of FDI into the country in recent years, directly affecting Oman's economic expansion. Using GDP as a proxy, it can be concluded that FDI has played a major, positive, and significant role in the country's economic growth. Such an improvement has increased economic efficiency and introduced substitutional and structural changes that have resulted in economic growth. For example, Oman has seen a surge in foreign ownership in real estate, communication, and administrative services.

The increased investment and development associated with the Free Export Processing Zones are likely to stimulate economic growth in Oman in the long run. For example, the Salalah Free Zone IFDI volume for the period 2009 to 2019 increased dramatically (as depicted in Figure 6). The size of investments in free zones is also a good indication of foreign capital inflow into Oman. For example, as per the Salalah Free Zone Company financial reports (2014), the Free Zone accounted for 2.3% of Oman's total GDP, 18% of the manufacturing sector's GDP, and 13.3% of Oman's total non-oil exports.

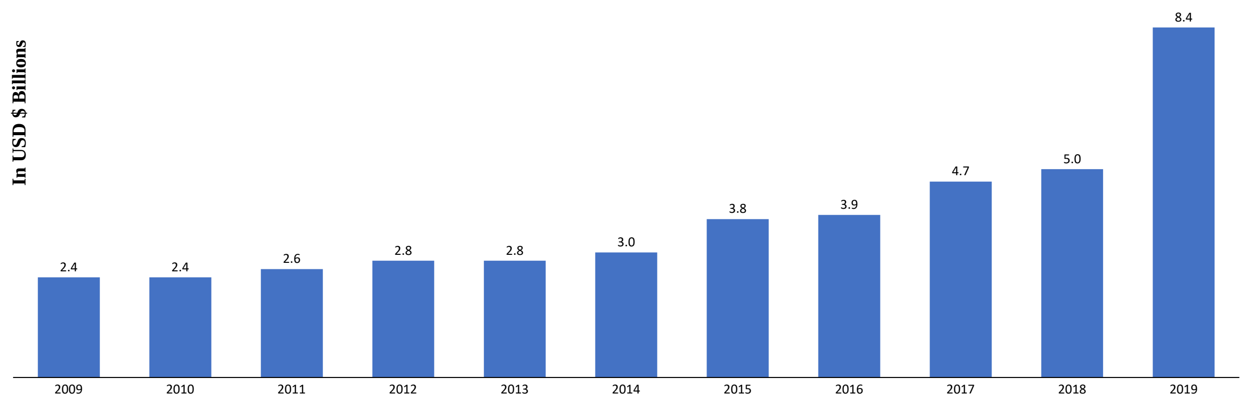

Figure 6: Salalah Free Zone 2009-2019 IFDI Volume in USD

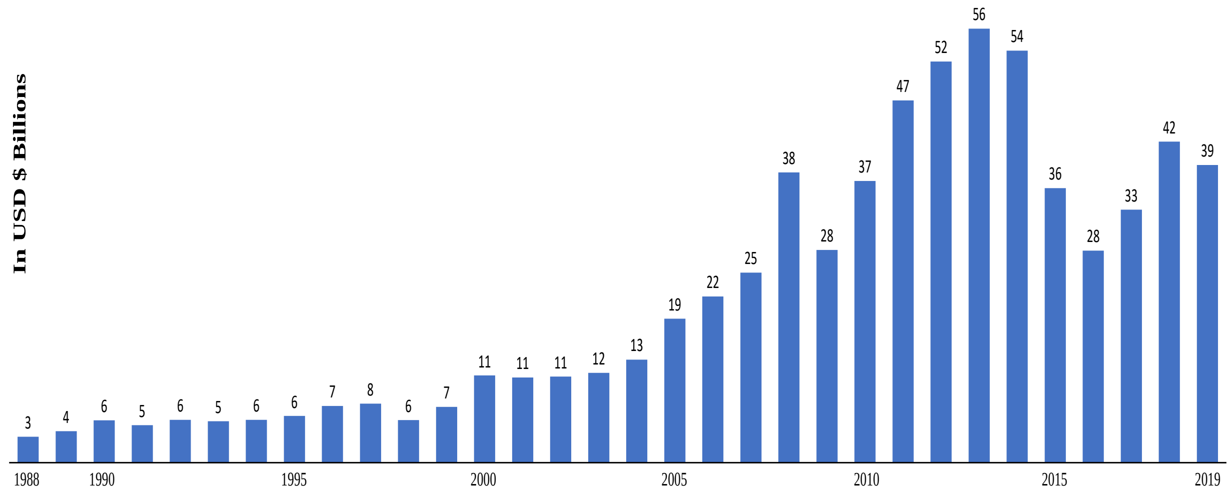

Figure 7: Oman's Goods Exports Between 1988 and 2019 (Source: World Bank Data)

An investigation by Ibrahim et al. (2018) into the role of FDI in improving Oman's ports sector revealed that foreign investment indeed enhanced this sector. Furthermore, Figure 7 (above) highlights the improvement in Omani goods exports.

2.4.2 Spillover

Numerous FDI scholars have addressed the use of the term “spillover”, aiming to highlight the impact of FDI on the host country. For example, Tzeng (2018) defined spillover as a transfer of managerial practices, production methods, management and business techniques, and other knowledge embodied in a product or service.

Similarly, Lu, Tao, and Zhu (2017) highlighted that MNCs originate from different countries with different technologies and know-how and present different trade-offs to domestic firms in the host country. They emphasised that MNCs from developed countries tend to exert a massive impact in terms of technology spillover in developing countries.

Choi et al. (2016) outlined how technology spills over to host countries' firms. Some of the effects include the interaction between MNCs' labour force and the domestic labour force, MNCs' products and services, and backward and forward links between MNCs and local firms.

Munteanu (2015) supports the argument that spillovers in terms of technical knowledge and know-how enable the creation of robust innovation growth, both horizontally and vertically, in the host country.

In her empirical study, Kathuria (1998) outlined the indirect benefits or spillovers from technology transfer that FDI transfers to domestic markets. She claimed that there were no solid grounds for claiming that Indian domestic firms benefit from FDI inflows to India. This is mainly due to the non-availability of reliable data about technology spillovers from IFDI to India.

Wong and Singh (2000) highlighted the importance of MNCs on technology spillover to the host country. The relationship between FDI and trade involves the exchange of business activities between a large number of firms in different countries (Keller, 2010). Consequently, domestic firms learn from the MNCs operating in their country. As Gerschewski (2013) explains, developing countries are some of the primary recipients of FDI. One of the fundamental reasons governments in these countries have worked hard to encourage FDI is the spillover effects. In most cases, these effects take the form of technology diffusion from MNCs and an increase in productivity from local firms. These are key factors as far as the growth of the local economy is concerned.

Gerschewski (2013) also points out that there are positive inter-industry spillovers, and these occur mainly through the linkages created between the suppliers of different sectors and the MNC affiliates. These can be attributed to the transference of technology and knowledge from MNCs to local suppliers.

Alraja et al. (2016) assessed the impact of FDI on information and communication technology ICT products. However, no correlation was found between imports of ICT products and FDI, indicating that FDI has not played a significant role in the development of technology infrastructure, and thus was not increasing economic growth. Conversely, a positive and significant relationship was noted between FDI and ICT service exports; this indicates that FDI has played a relatively diminutive role in improving technology infrastructure.

The literature review on the FDI Impact enabled the current researcher to identify two additional Impact Factors, namely, “Employment” and “Human Capital Development”.

2.4.3 Employment

The creation of employment or job opportunities is another critical factor that plays a crucial role in the FDI environment, making it a key indicator of FDI impacts. Theoretically, the attraction of FDI inflow in industrial sectors is likely to improve the development process and accelerate employment potential. Similarly, Markusen and Venables (1998) indicated that MNCs add value to the host country by creating employment opportunities and increasing taxation.

In line with this, Joshi and Ghosal (2009) found a significant correlation between FDI inflow and the emergence of employment opportunities. However, the perceived relationship is rather complicated. This is due to the ability of FDI inflows to affect employment in organisations in different ways. Additionally, the effects on organisations tend to vary from region to region. Consequently, there is a need to analyse the impact of FDI on different aspects of the economy through the determinants of employment rates. A similar approach should be undertaken when analysing the effects of FDI on economic growth.

The relationship between employment and FDI stakeholders can be addressed in two forms - employment as an essential requirement by MNCs and employment as a host country's strategic objective. For instance, Jenkins (2006) argued that only in the case of Greenfield plants can FDI create jobs that impact the host country's domestic market. The logic behind such an increase relates to the control of knowledge and know-how leaking to domestic competitors. Multiple studies support a positive relationship between FDI and job stability.

Rozen-Bakher (2017) highlighted FDI employment impacts from a location perspective with respect to three factors: information, communications, and technology, educated labour, and economic and political stability. In his empirical study on 33 advanced countries versus 116 developing and emerging countries, the author argued that critical impacts concerning employment shift from the industrial sector to the service sector. By contrast, he noticed that FDI inflows and outflows in advanced countries shift from the industry sector to the service sector.

Given the list of FDI impacts on the Indian market noted by Soni et al. (2020), Mehra (2013) highlighted different views regarding FDI impacts on employment. She argued that FDI in India is mainly concentrated in the service and industrial sectors. Her views are driven by the fact that India is an agricultural country, and most of the population work in the agriculture business. Her study supported the claim that FDI in India has impacted GDP but not employment.

Sargsyan and Harutyunyan (2017) argued that Armenia’s policymakers need to review government policies such as those on taxation and labour laws to create more jobs in domestic markets as a result of FDI business activities.

Despite GCC governments’ efforts to attain growth in non-oil sectors, the GCC only creates limited job opportunities for nationals. Callen (2014) stated that between 2000 and 2010, only 7 million jobs were created in GCC states, with a population of more than 54 million people.

Of these newly created jobs, 5.4 million were in the private sector, including oil and non-oil sectors.

2.4.4 Human Capital Development

FDI also raises the level of efficiency and productivity of the workforce in the host country, a result of the advanced training and knowledge passed on by foreign colleagues.

The Oman economy has significantly benefited from employee training and the acquisition of additional knowledge and skills from international entrepreneurs, which has resulted in human capital development in Oman. The World Economic Forum (2019) reports that Oman is achieving significant progress in developing its human capital, particularly in primary education and health. Yet, the country still lags behind in both higher education and technical and vocational training. This has led to a shortage of qualified workers in crucial industries including manufacturing, logistics, and oil and gas. According to the Oman Chamber of Commerce and Industry (2016), a skilled and educated workforce is essential for luring FDI. According to a 2022 US Department of Sates report, FDI in Oman may face significant challenges due to a lack of skilled people. Despite these setbacks, Oman recently increased spending on training and education. The nation placed an emphasis on science, technology, engineering, and mathematics subjects to increase the proportion of the nation’s workforce involved in technical tasks. Some of the universities and research institutions the country has established are Sultan Qaboos University, the Oman Medical College, and the Oman Institute for Traditional Music. These organisations strive to provide the Omani workforce with a solid foundation of scientific and technological expertise.

The literature review on the FDI Impact has revealed four additional Impact Factors, namely, “Overall Local Companies”, “Local Companies Opportunities”, “Local Companies Competition”, and “Local Companies Threat”.

2.4.5 Overall Local Companies, Local Companies’ Opportunities, Competition, and Threat

Aitken et al. (1997) highlighted the impacts on the micro-level as they apply to individual firms, while Rahman (2007) explained that MNCs are key players in the host country's national economy. For instance, MNCs can create weaknesses within the host society, export technology, and know-how, improve infrastructure, cause cultural change, destroy local producers, and act aggressively toward the environment and climate of the host country.

Nguyen (2019) conducted an empirical study of FDI impacts on the Vietnamese labour market. He concluded that FDI firms pay wages 2.25 times higher than those paid by domestic firms. Nguyen also highlighted that a 1% increase in FDI presence causes domestic firms to cut average wages by 2.03%. This study indicated that local firms in the host country could not attract a high-quality workforce due to FDI firms' inflow to their markets. It was concluded that FDI firms employ 13.5% of the total labour force in the host country.

In an empirical study based on the 2003 first Taiwan technological innovation survey, Lin and Lin (2010) concluded that IFDI and OFDI significantly affect a firm’s decision to innovate.

Gerschewski (2013) established that there are also negative intra-industry productivity spillover effects in that MNCs create unhealthy competition for local companies. Because of a lack of absorptive capacity, local companies in most countries do not absorb the knowledge the MNCs provide. Therefore, a knowledge gap exists with regard to the negative impacts of FDI in both the host and investing countries.

The overriding globalisation objective of countries within the Arabian Peninsula is to promote and increase efficiency through competition, domestically and in the international markets, as a priority in order to provide a sound basis for economic sustainability, increased employment, and encouraging economic development growth. The prospect of global competition requires the effective utilisation of available resources for survival and economic success. According to statistics from GCC countries such as Oman, promoting FDI has increased productivity and improved the quality of products produced by locally-owned companies (Forte and Moura, 2013). The presence of more MNCs has enhanced the allocation and management of resources by local firms, leading to an increase in profitability (Husain, Javed and Araimi, 2021). MNCs increase competition levels, forcing local firms to increase their efficiency and the quality of their products. In general, the increasing growth of FDI in Oman has promoted competition throughout the Oman economy.

Empirical Studies on FDI Impact Factors - Conclusion

The discussion in this sub-section has exhaustively presented the empirical scholarly arguments regarding FDI determinants in terms of FDI Impact Factors. The next section will discuss the articulation of the FDI determinants in terms of FDI Attraction Factors and FDI Impact Factors, using the findings of the literature review to form the basis for the current study.

2.5 Proposed FDI Determinants (Attraction and Impact Factors)

The above discussion provided useful insights to help structure the scope of the current study, particularly the articulation of the FDI Attraction and Impact Factors. Specifically, the literature review helped to develop (and/or derive) the list of factors detailed in this section.

As such, and as part of an intermediary step, a list of 23 Factors were identified in the two areas, namely, the FDI Attraction Factors and FDI Impact Factors depicted in Figure 8.

FDI Attraction Factors

1. **Geography:** Oman's Geographical Location Strength
2. **Business Growth:** Opportunities for Business Growth In and Out of Oman
3. **Hard Infrastructure:** Quality of Oman's Hard Infrastructure
4. **Social Infrastructure (Public Services):** Overall Quality of Public Services in Oman
5. **Social Infrastructure (Public Healthcare):** Overall Quality of Public Healthcare in Oman
6. **Corruption:** Absence of Corruption
7. **Overall Incentives:** Incentives and Facilities Provided to Investors
8. **Ease of Doing Business:** Ease of Executing Business Activities and Processes
9. **Cost of Doing Business:** Competitiveness of Big Cost Items with Bearing on Business Case
10. **Ownership:** Favorable Structure (e.g. 100%) as an Incentive
11. **Tax:** Tax Administration
12. **Customs:** Customs Administration
13. **Utilities:** Competitiveness of Utility Tariffs, Mainly for Power, Water and Gas

A. **National Workforce**
B. **Policy & Regulations**

FDI Impact Factors

16. **Overall Impact:** Overall Satisfaction with the FDI Impact on the Local Community
17. **Spillover:** FDI Results in Technology Spillover into Oman's National Economy
18. **Employment:** FDI in Oman Creates Job Opportunities for the Local Community
19. **Human Capital Development:** FDI Attracted to Oman Contributes to Human Capital Development
20. **Overall Local Companies:** FDI has a Positive Overall Effect on Local Companies
21. **Local Companies Opportunities:** FDI Creates Business Opportunities for Local Companies
22. **Local Companies Competition:** FDI can Promote Competition in Domestic Input Markets
23. **Local Companies Threat:** FDI as a Threat to Local Companies

Figure 8: Derived Initial List of 23 FDI Attraction and Impact Factors

To allow for more granularity, and given the importance of the two FDI Attraction Factors of "National Workforce" and "Policy and Regulations", this study places more emphasis on these factors by detailing them through other factors, as depicted in Figure 9.

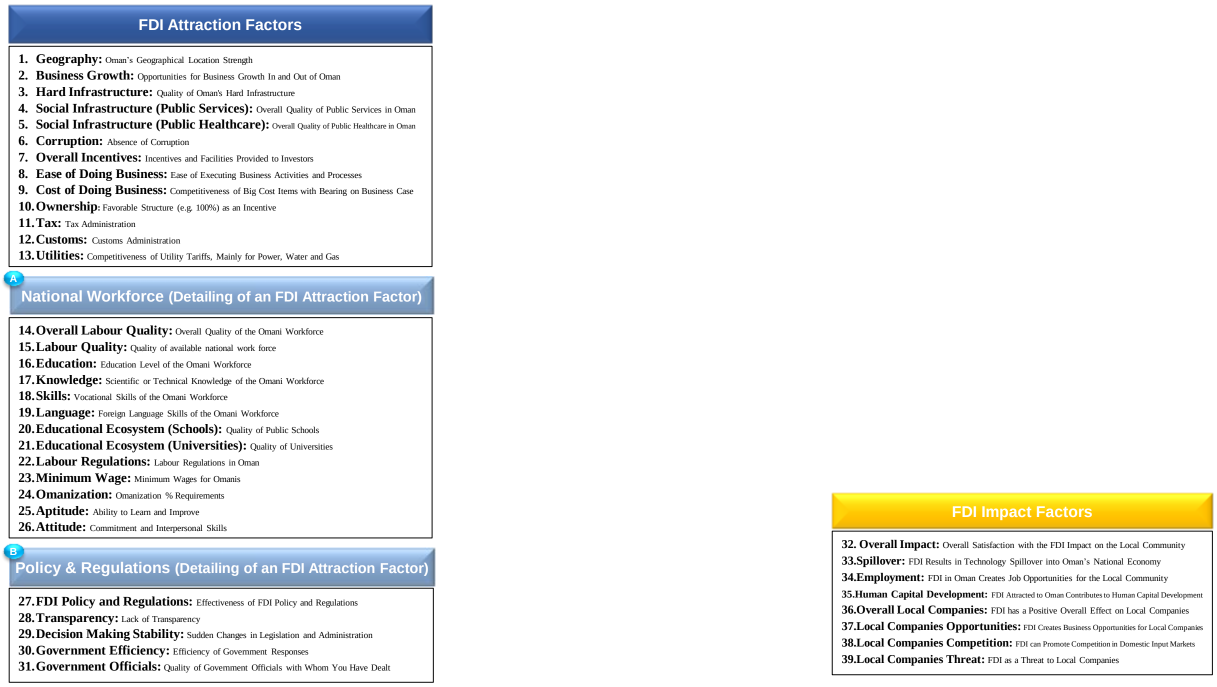

Figure 9: Locked List of 39 FDI Attraction and Impact Factors

For ease of reference, transparency of the logic used (whereby the indenting reveals areas of strong emphasis), and to enhance overall readability, these 39 FDI Attraction and Impact Factors are listed below.

2.5.1 FDI Attraction Factors (13 Factors Developed)

01. *Geography:* Oman's Geographical Location Strength
02. *Business Growth:* Opportunities for Business Growth In and Out of Oman
03. *Hard Infrastructure:* Quality of Oman's Hard Infrastructure
04. *Social Infrastructure (Public Services):* Overall Quality of Public Services in Oman
05. *Social Infrastructure (Public Healthcare):* Overall Quality of Public Healthcare in Oman
06. *Corruption***:** Absence of Corruption
07. *Overall Incentives***:** Incentives and Facilities Provided to Investors
08. *Ease of Doing Business***:** Ease of Executing Business Activities and Processes
09. *Cost of Doing Business***:** Competitiveness of Big Cost Items with Bearing on Business Case
- **10.** *Ownership:* Favourable Structure (e.g. 100%) as an Incentive
- **11.** *Tax:* Tax Administration
- **12.** *Customs:* Customs Administration
- **13.** *Utilities***:** Competitiveness of Utility Tariffs – Mainly for Power, Water and Gas

2.5.2 National Workforce Factors – an FDI Attraction Factor (13 Factors Developed)

14. *Overall Labour Quality***:** Overall Quality of the Omani Workforce

15. *Labour Quality*: Quality of Available National Workforce
    16. *Education:* Education Level of the Omani Workforce
    17. *Knowledge:* Scientific or Technical Knowledge of the Omani Workforce
    18. *Skills:* Vocational Skills of the Omani Workforce
    19. *Language:* Foreign Language Skills of the Omani Workforce
20. *Educational Ecosystem (Schools):* Quality of Public Schools
21. *Educational Ecosystem (Universities):* Quality of Universities
22. *Labour Regulations:* Labour Regulations in Oman
    23. *Minimum Wage*: Minimum Wages for Omanis
    24. *Omanization:* Omanization % Requirements
25. *Aptitude*: Ability to Learn and Improve
26. *Attitude:* Commitment and Interpersonal Skills

2.5.3 Policy and Regulations Factors – an FDI Attraction Factor (5 Factors Developed)

27. *FDI Policy and Regulations:* Effectiveness of FDI Policy and Regulations
    28. *Transparency:* Lack of Transparency
    29. *Decision Making Stability:* Sudden Changes in Legislation and Administration
30. *Government Efficiency:* Efficiency of Government Responses
31. *Government Officials:* Quality of Government Officials with Whom You Have Dealt

2.5.4 FDI Impact Factors (8 Factors Developed)

32. *Overall Impact*: Overall Satisfaction with the FDI Impact on the Local Community
    33. *Spillover:* FDI Results in Technology Spillover into Oman's National Economy
34. *Employment:* FDI in Oman Creates Job Opportunities for the Local Community
    35. *Human Capital Development*: FDI Attracted to Oman Contributes to Human Capital Development
36. *Overall Local Companies*: FDI has a Positive Overall Effect on Local Companies
    37. *Local Companies Opportunities*: FDI Creates Business Opportunities for Local Companies
    38. *Local Companies Competition*: FDI Can Promote Competition in Domestic Input Markets
    39. *Local Companies Threat*: FDI as a Threat to Local Companies

In summary, the literature review provided a preliminary list of factors on which the researcher reflected to introduce factors to close the apparent gaps (i.e. important factors on which literature was not found), to name factors (for ease of reference and interpretation), and to group them logically (hence the proposed four themes/areas/clusters shown in Figure 9); and it is on this basis that Chapters 4, 5, and 6 have been structured. Thus, a key output from Chapter 2, the 39 FDI factors, are grouped into four clusters for analysis, and it is these that provide the structure for Chapters 4, 5, and 6.

An important note of clarification is that the order in which the factors appear in Sections 2.3 and 2.4 is the same as the order drawn in current Section 2.5; this was done to subsequently to ease the reading of Chapter 2 and create consistency, although this is not a perfect match as the list of 39 FDI Factors was derived following reflection by the researcher and does not have a 1-to-1 relationship to the literature review findings, as explained above.

2.6 Conclusion

This chapter relayed in a structured and organised manner the findings from an exhaustive global, GCC, and Oman specific literature review relating to FDI. It provided a context for the discussion in Chapter 1 (i.e. how a plethora of factors influence FDI Attraction efforts, and how results differ across countries and/or over years for a given country). The findings undoubtedly helped the researcher better orient the focus of this study in a quest to advance the body of knowledge on the FDI cause-and-effect relationship in Oman.

More specifically, Section 2.2 revealed that there is no consensus among scholars, and gave legitimacy to empirical studies on this matter. Section 2.3 presented a global review of empirical studies to capture the reported FDI Attraction Factors, while Section 2.4 captured the reported FDI Impact Factors. Both sections included findings on the same few studies that have been conducted on GCC Countries. Combined, they provided a holistic view of empirical FDI cause-and-effect relationships.

Section 2.5 built on the findings of the previous sections in this Chapter, and led the researcher to identify a comprehensive list of FDI Determinants in terms of FDI Attraction Factors and FDI Impact Factors. These were then grouped into four clusters, becoming the basis on which this study evaluated FDI performance in Oman and formulate improvement recommendations. It is on this basis that Chapters 4, 5, and 6 have been structured, leading to the formulation of improvement recommendations.

The next chapter is critical as it details the researcher’s proposed strategy for the research (i.e. Research: Philosophy, Approach, Strategy, and Design; Data Collection Methodology, and Data Analysis Methodology).

Chapter 3: Methodology

3.1. Introduction

To answer an overarching research question, a researcher must develop a systematic plan that outlines how data and evidence are to be collected and analysed.

As Wilson (2014) explains, every inquiry can be approached differently, depending on the specific needs of the researcher, particularly in terms of what they intend to achieve. Researchers can aim to test theories, create theories, or even add to existing knowledge by developing it. Different research methods and methodologies can be adopted depending on the researcher's objectives. Fisher (2010) points out that in many cases, qualitative research is associated with the creation of theory, especially using inductive approaches, while quantitative research focuses on testing theories using deductive approaches. Research has numerous objectives, but one of the main ones is to carry out a successful inquiry or study to answer a particular research question, or address a particular research problem by applying scientific procedures (Wilson, 2014).

For the current study, the researcher sought to understand FDI in the developing world, specifically in Oman. The aims were to understand various aspects relating to FDI, how Oman has attracted FDI, and how the country has benefited.

This chapter starts with a description of the researcher’s own stance on the philosophical perspective adopted for this study. This involves discussing the ontologies and epistemologies of different research paradigms to clarify the researcher’s view and interpretation of reality and knowledge. The chapter also discusses deductive and inductive approaches to research, and as such contains the justification for the research methods used in the study, especially in terms of their relevance in answering the research question. This leads to a discussion of the research design, followed by an explanation of the data collection methods and procedures employed as well as the data analysis conducted. The chapter also discusses ethical considerations relating to this study and reiterates the importance of always considering ethical issues.

3.2. Research Framework

Wilson (2014) identifies six key concepts that make up a research methodology (research questions and objectives, research philosophy, research approach, research strategy, research design, and data collection and analysis). These six concepts helped the researcher to develop a research framework that guided this research process, and to achieve the objectives of identifying the attraction of FDI to Oman and its impact on the country, establish which elements make Oman an attractive destination for foreign investors, and determine the impact that foreign investors have on Oman's national economy, thus answering the research question. The research framework was based on the research methodology (see Figure 10).

	Research Setup
Research Philosophy (Section 3.3)	• Set of basic beliefs that guide any research study; It includes defining the object of the study (i.e. ontology) and the best way to analyze it (epistemology)
Research Approach (Section 3.4)	• Procedure of reasoning selected by the researcher to explore the object of the study
Research Strategy (Section 3.5)	• Plan of action that gives direction to the researcher's thought process, guiding the data collection and analyses
Research Design (Section 3.6)	• Overall structure of a research project; It indicates what type of study is planned and what kind of results are expected from this project
Data Collection (Section 3.7)	• The process used through which the researcher will obtain the required facts that are necessary for the data analysis
Data Analysis (Section 3.8)	• The process used through which the researcher is able to derive findings and insights as input to articulate a perspective and thus recommendations

Figure 10: The Research Framework: Areas and Objectives (Developed by the researcher)

3.3. Research Philosophy

Science has sought to explain the world by developing general laws that govern views, thoughts, understanding, explanations, and interactions with facts, meanings, and observations of reality (Henn et al., 2009). The nature of the world and how human beings come to know about it can be analysed from different philosophical perspectives. Thus, research philosophies are systems of beliefs and assumptions to develop knowledge (Saunders, 2011), which can then be applied to various fields of sciences.

In the realm of some fields of study, the abundance of philosophical perspectives complicates the choice of a suitable perspective. Davies and Hugues (2014) asserted that the researcher's philosophical perspective about the world (ontological and epistemological) guides their choice of research methodology.

The following sub-sections provide an overview of ontology and epistemology to explain the researcher's stance and thus the research methodology employed.

3.3.1 Ontological and Epistemological Definitions and Adoptions

To accomplish rigorous research, several assumptions related to the nature of the object of the study and the way it is studied play an essential role.

i. Ontology - Definition

Reality constitutes everything that we see, hear, touch, feel, and do, and how we interact with the world. Questions regarding what is true or false and how to determine what is true constitute a key debate among researchers. Ontology deals with assumptions as to what constitutes the nature of reality (Saunders, 2011) and how one views this in any given situation. Ontological assumptions help to shape how research objects are seen. Stanley and Wise (2002) define ontology as the science or study of being, as it deals with the nature of reality. It fundamentally analyses a system of beliefs reflecting interpretations by an individual about what constitutes a fact. In other words, ontology is concerned with what is true or real.

Possible ontological positions are realism (linked to objectivism) and relativism (linked to subjectivism). Bryman and Bell (2015) define realism as an ontological position which asserts that social phenomena and their meanings exist independent of social factors. They identify relativism as an ontological position which claims that social actors are continually accomplishing social phenomena and their meaning. Conversely, realism relies on an objective point of view on the part of the researcher, meaning social objects exists independently of the actors involved. By contrast, relativism is supported by the researcher's subjective point of view, which translates into the notion of actor's perceptions and actions being an integral part of the social objects of study.

Ultimately, the position taken depends on the perspective through which the researcher views the world, that is, an objective or subjective point of view.

ii. Epistemology - Definition

Epistemology focuses on knowledge as a social construct, with various drivers and forces shaping it in coherent and accepted ways (Stokes and Wall, 2017). In addition, it studies and considers theories concerning how and why knowledge is made (Audi, 2010). Epistemological assumptions are concerned with postulations about knowledge as well as what constitutes acceptable, valid, and legitimate knowledge, and how such knowledge can be communicated to others (Burrel and Morgan, 1979). In other words, epistemology is the theory of knowledge, in that it refers to the principles of what can be known and how one can know it (i.e. how one can find out about it).

Epistemological perspectives can entail positivistic, interpretivist or pragmatism paradigms, which essentially differ regarding the status of different claims about knowledge and how to judge knowledge related claims. Positivist, interpretivist, or pragmatist researchers have competing views and interpretations of the world and the knowledge within it (Lincoln and Guba, 1985). The beliefs set out in these perspectives are often open to proof, especially in the objective world.

In considering an epistemological approach, positivism is often associated with objectivism and, as such, the data collection methods are often quantitative in nature. Positivism is described by Blumberg et al. (2014) as a research philosophy adopted from the natural sciences that considers the world as existing externally and which can be studied objectively (see also Howell, 2012). It regards research as value-free and the researcher as an independent entity who takes the role of an objective analyst.

By contrast, interpretivism relies more on subjectivity, which is why its data collection methods are primary qualitative. Interpretivism sees the world as a social construct, where meaning is ascribed subjectively by people. Under these conditions, the researcher is considered part of the research. From an interpretivist epistemological position, authors such as Jones (1993) argue that knowledge resulting from human actions can only be understood by relating it to conscious, intentional moves and purposes and, ultimately, to the agent who acts. Thus, Singh (2015) and Hugues and Sharrock (2016) believe that social actors play a key role in defining research philosophy.

Ultimately, pragmatism was borne as an attempt to sidestep the conflicting issues between positivism and interpretivism by focusing on what works, using methods and/or approaches that function best to answer a given research question. This perspective is often associated with a mixed-method research approach and is a philosophical view adopted by researchers who want to avoid the argument between objectivity and subjectivity.

iii. Ontology - Adoption

FDI reality in Oman has not yet been established as a formal structural setup. Apart from the foreign laws and a few royal decrees on the establishment of free zones, nothing is considered to constitute an FDI structure from the current researcher's point of view, who is a professional working in this area in Oman. Indeed, Oman has attracted foreign investors, but they fall under the headings of investing in domestic and/or commercial activities, or are part of free zone companies. Furthermore, there is no FDI authority to regulate and maintain studies and data regarding FDI activities, apart from the Ministry of Commerce and Industries and several other committees regulating free zone operations.

Although a plethora of previous research studies reviewed by the researcher are more objectivist in nature, the majority tend to consider numerous countries and at a high level of aggregation. To quantitatively examine in detail the specific situation and issues affecting Oman, the researcher required a different approach to that of most existing studies.

Indeed, coming from the aforementioned ontological position, the researcher believes that stakeholders' relationships and interactions within the FDI context account for FDI Attraction and Impact in Oman. For example, foreign investors interact with the government to obtain investment incentives and locate their business in free zones. After establishing their business, they hire locals and utilise local traders' services to allow them to operate and function. It is important to understand the in-depth motives underpinning invertors' decisions to invest in Oman and to make sense of the assumptions related to the role of free zones in terms of FDI attraction. Furthermore, capturing the opinions of both investors and the local community on the established impact was a priority.

As such, and given the above descriptions of ontology and points of view, the researcher regards the world from a relativistic stance, and is convinced that conducting research with regard to the FDI context in Oman requires a relativist ontological approach in order to interact with the social structure of the FDI environment in the country. This is also based on the experience and management skills of the researcher who, through his work, interacts with FDI actors.

iv. Epistemology - Adoption

Given the nature of the research, the fact that the researcher works in a Free Zone and is a stakeholder who interacts with all other FDI stakeholders, affords him a unique and strong position from which to build an understanding from their own perspective and that of others to arrive at an interpretation of reality by each stakeholder. This led to the adoption of an interpretivist epistemological approach for this study. As such, the researcher employed a mixed approach to collect specific and in-depth data by soliciting input from multiple stakeholders to understand the knowledge associated with the research questions, and in the process add value to the study.

Essentially, the researcher believes that interactions among people, their experiences, and their perceptions constitute knowledge and can be used to construct reality. This is why an interpretivist perspective was adopted in this study.

Figure 11 presents a recap of the research philosophy, the researcher's choices, and thus the stance adopted.

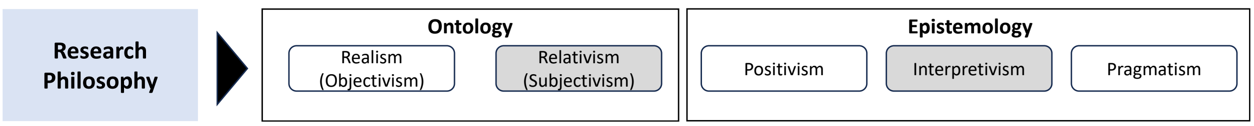

Figure 11: Researcher's Philosophical Stance

3.4 Research Approach

The researcher explored the FDI Attraction and Impact phenomena in Oman (see discussion in Section 2.5) from a relativist ontological and interpretivist epistemological position. This required a mixed-method approach involving both qualitative and quantitative data collection.

Creswell and Clark (2017) note that mixed-method research, as a combination or integration of qualitative and quantitative research and data, is an ideal approach for conducting social research. A mixed-method will ensure that the researcher focuses on what works and that different perspectives are considered to obtain a clear understanding and explanation of the research questions.

From a validity perspective, Lincoln and Guba (1985) have proposed three concepts for assessing how trustworthy a good mixed-method research study is: credibility (that is, how believable the findings are), transferability (that is, whether the findings can be applied to other contexts), and dependability (that is, whether the findings are likely to apply at other times).

Furthermore, Greene and Caracelli (1997) argued that using mixed methods allows researchers to test the consistency of the findings obtained using different instruments. It also helps clarify and build on the results of one method by using another, and shows how the results obtained using one method have shaped the decisions associated with subsequent methods.

There are two different approaches, inductive and deductive, that can be employed to analyse the data collected for the study at hand. The inductive approach requires demonstrating extensive knowledge of the subject, wherein theory will be produced as the outcome of the research (Wilson, 2014). Conversely, the deductive approach involves the rigorous testing of theory through a series of propositions (Bryman, 2015).

The researcher believed that interpretivism with an inductive approach will contribute more to the overall research outcomes by understanding the motives for FDI and the local and national impacts of FDI. However, he would remain open and flexible and utilise appropriate directions as and when required. Therefore, there are rational demands to consider that a positivist philosophy incorporating a deductive approach should be used to support quantitative methods, and that an interpretivist philosophy incorporating an inductive approach should be used to support qualitative methods.

As such, the researcher carefully selected the appropriate research elements to achieve the best possible outcomes through this research.

Regarding FDI in Oman, four key stakeholder groups (see Figure 12 below) were identified as master players, namely: Government (Including Policy Makers), Free Zones, Investors (those already operating in Oman and those contemplating investing in Oman), and Local Community (Business and Social). The researcher collected data separately from each of these groups (see Appendices 1,2,3,4,5). Each stakeholder offers different types of information, data, views, experience, expectations, and effects regarding policies. Such a complicated mix of data and information required a mixed-method research approach to successfully collect and combine all the data and information to answer the research questions.

This research considered the factors mentioned below and ensured that the mixed-method used was credible, transferable, and dependable. It also sought to establish what is unique about Oman that could drive more FDI and generate more benefits for the national economy. The aim was to understand what Oman could learn to attract more FDI. For example, FDI research findings were related to the FDI Attraction and Impact in Oman and can be applied to labour, education, and technology contexts in Oman. The research findings can also be utilised for future developments of a national strategy in terms of economic diversification.

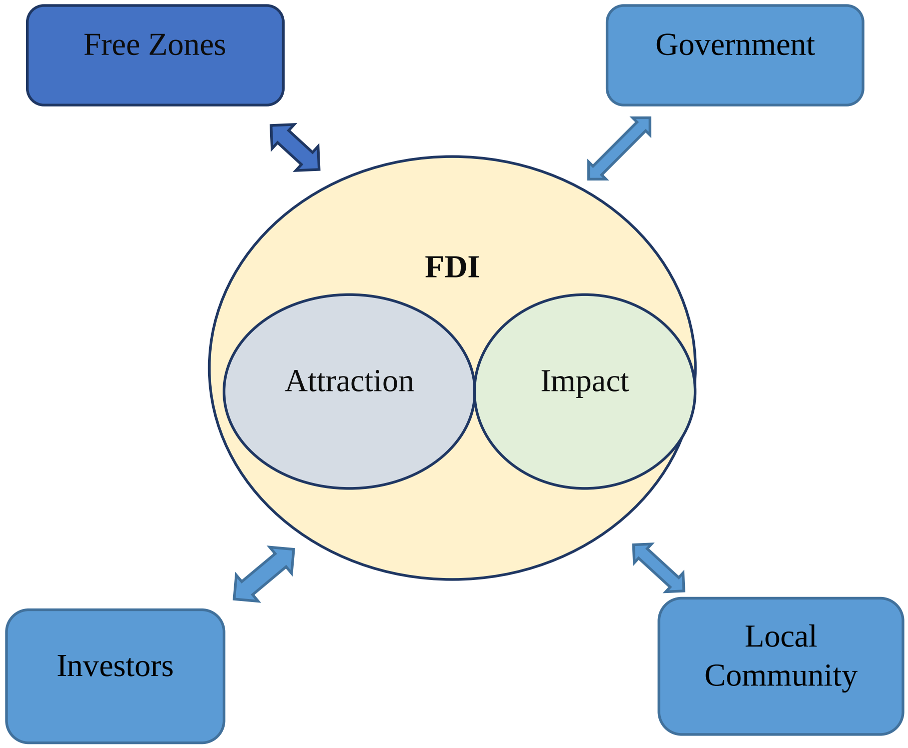

Figure 12: Research Elements (Developed by this Researcher)

Figure 13 presents a recap of the research approach and the researcher's choices.

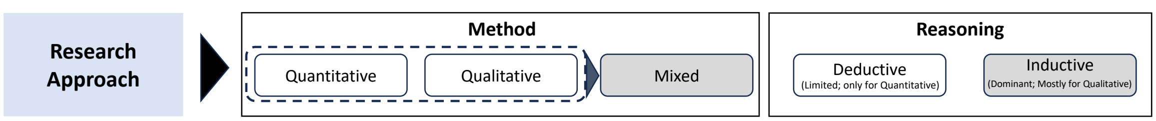

Figure 13: Adopted Research Approach

3.5 Research Strategy

Creswell and Clark (2017) stated that three key factors play a role in identifying the appropriate research strategy. These are the research questions, the researcher's experience, and the audience. With regards to the research questions pertaining to this study, both qualitative and quantitative aspects are present, while the researcher brings rich experience through his knowledge of the FDI sector. In terms of audience, the researcher is supported by technical and business colleagues with whom to share the results in strengthening Oman's FDI policy, which means that the mixed-method research was the ideal strategy for this study, not only in generating results but also in being able to disseminate and use these results to promote a stronger FDI policy for Oman.

By adopting both qualitative and quantitative evidence and methods, a combination of data types can be highly synergetic and overcome the limitations of using only one method. From a broader perspective, this researcher considered case study research strategies that reveal the adjustments required in data collection processes and which would allow him to take advantage of emergent themes and unique case features by overlapping data collection and analyses, and including notes obtained through flexible and opportunistic data collection methods (Eisenhardt, 1989).

Figure 14 presents a recap of the research strategy and the researcher's choices.

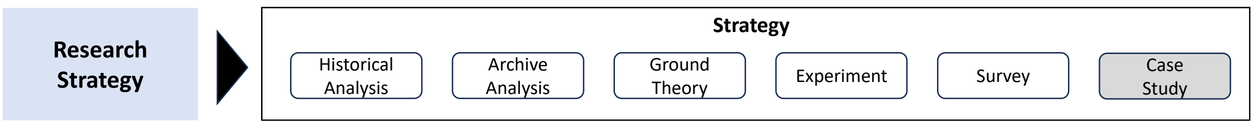

Figure 14: Adopted Research Strategy

3.6 Research Design

The research design is the overall strategy that a researcher uses to answer the research questions posed. It can also be defined as the masterplan highlighting the data collection methods and procedures for collecting and analysing data. Data collection and analysis seek to answer the research questions through measuring, testing, and developing theories.

There are various ways of describing the available types of research design. Bryman (2015) offers a different perspective, referring to experimental design, cross-sectional design, longitudinal design, case study, and comparative design. Yin (2013) stated that appropriate measurement criteria must be considered when developing the case study approach, naming five types of cases from the standpoint of external validity: critical, unique, typical, revelatory, and longitudinal. Soiferman (2010) referred to descriptive, explanatory, exploratory, evaluative, or a combination of one or more designs.

A descriptive research design is associated with fact-finding and often aims to answer questions such as 'what?', 'who?', 'where?', and 'when?'. This involves collecting primary data, although sometimes secondary data can also be used (Saunders, 2011). However, the main objective is to uncover the factual aspects of the phenomenon under investigation.

An explanatory research design, on the other hand, focuses on the creation or formulation of hypotheses and on testing theories and, as such, goes beyond asking 'what?', 'who?', 'where?', and ‘when?’ questions to ask ‘why?’ and ‘how?’ questions. This type of research design also focuses on investigating the relationship between variables, such as interdependence and causality (Fisher, 2010).

An exploratory research design focuses on understanding an issue or phenomenon, mostly a new phenomenon or an area that has been previously unresearched (Saunders, 2011). It is a research design that seeks to understand and establish what is happening. One of its main advantages is its flexibility and adaptability, especially when change is needed.

An evaluative research design, by contrast, attempts to establish how something works, and its questions are likely to start with ‘how?’ or, in some cases, include ‘what?’, especially when making comparisons between one phenomenon and another.

A descriptive research design as part of a case study research strategy was employed to answer the research questions and achieve the research objectives. The use of such a design was informed by the fact that the current research largely sought to answer questions related to ‘what?’, ‘who?’, ‘where?’, and ‘when?’, and in doing so build facts as they pertain to the FDI phenomenon in Oman. These were some of the most important concepts that the discussions around the study focused on.

Figure 15 presents a recap of the research design and the researcher’s choices.

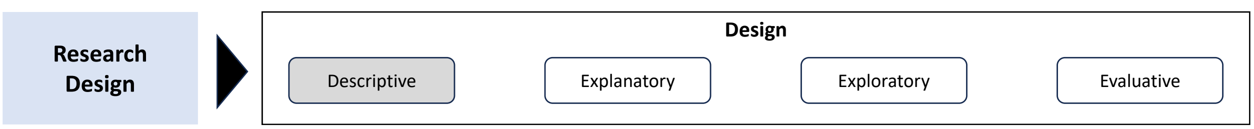

Figure 15: Adopted Research Design

In summary, the researcher adopted a research philosophy with a relativist ontological and interpretivist epistemological position, using an interpretivist philosophy that incorporated an inductive approach to support the predominantly qualitative methods (with, in limited instances, a positivist philosophy that incorporated a deductive approach to support quantitative methods). Finally, a descriptive research design as part of a case study research strategy was used to uncover the factual aspects of the FDI Attraction and Impact phenomenon in Oman. The researcher’s choices as they pertain to the research setup are depicted in Figure 16.

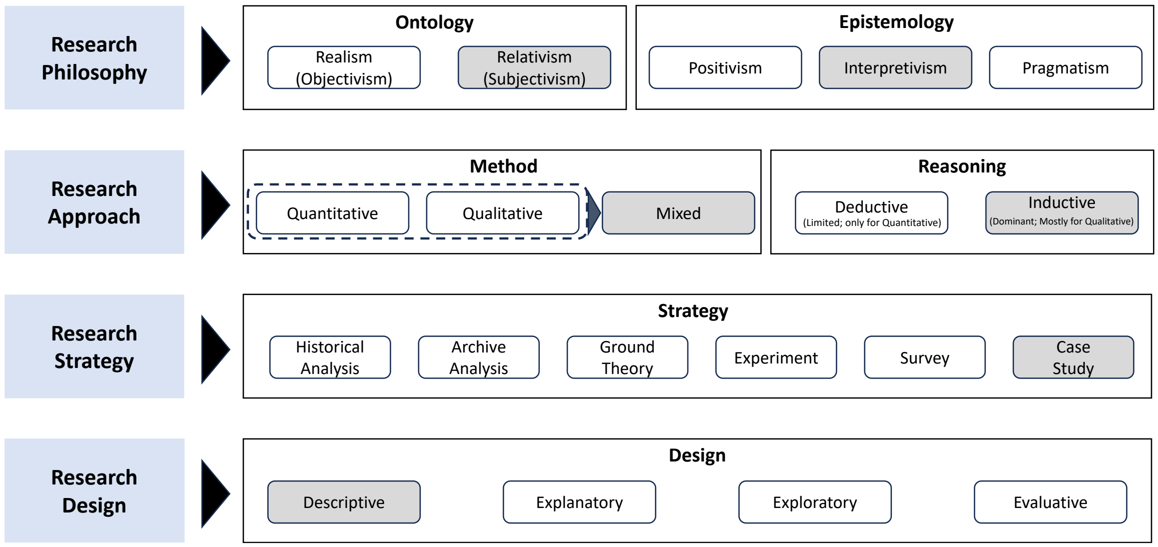

Figure 16: Researcher's Choices Pertaining to the Research Setup

3.7 Data Collection Methods

Once the research setup (as described in Sections 3.3 to 3.6 and summarized in Figure 16 above) had been agreed upon, the data collection methods and plans were developed. The data collection plan included four elements: the types of data, the techniques used for data collection, the source of data, and the time frame (Harrell and Bradley, 2009). This research used two types of searches, namely secondary search (used predominantly as a first and/or launch step, and then resorted to when gaps were identified in a few instances) as well as a primary search used as a second step to solicit input from the target stakeholder groups, forming part of the research elements described earlier in Sub-Section 3.4.

Additionally, and before proceeding with the actual data collection, the researcher considered the cases and numbers of data, the sample size, the types and data scale used for measurement, the impact of data coding on subsequent analysis, the process of data input, and checking data for errors. The sequence of the approach to collecting secondary and primary data is presented in the following sub-sections.

3.7.1 Secondary Data Collection Methods

The researcher developed the following secondary data collection procedure to understand the overall FDI environment in Oman:

Types of Data	Collection Techniques	Sources of Data	Time Frame
Secondary Data	Document Analysis through a Systematic Literature Review (SLR)	• In the Public Domain: Peer-reviewed scholarly articles (journal articles), books, government reports and publications • Not in the Public Domain: Ministry of Commerce and Industry, Ministry of Finance, Public Authority for Investment Promotion, Local Chamber of Commerce, Central Bank, Salalah Free Zone, Foreign Investors, and Sultan Qaboos University	Between March 2018 and February 2019

Table 2: Secondary Data Collection Plan

A series of steps were involved in conducting the SLR, namely; planning, searching, screening, extraction and synthesis, and reporting, which is the output of the process that is presented in this research.

The planning step entailed identifying literature sources to provide complementary information and permit an examination of what has already been established using previous research. As listed in Table 2 above, the general survey of the literature entailed gathering and reviewing data from secondary sources such as peer-reviewed journal articles, published government reports, published Free Zones reports, national statistics, the World Bank, and other related sources. Furthermore, and in addition to the literature available in the public domain, the researcher identified eight specific data sources (see list in Table 3 below) which required special permission to obtain. It should be noted that the researcher is a key executive at one of the Free Zones in Oman, which is a government organisation. As such, obtaining access to national sources was achieved with the support of an official letter from the Salalah Free Zone Chairman addressed to the authorities listed as follows.

In the search phase, the researcher broke down the research questions to create search terms in order to find relevant literature for inclusion. This began by identifying keywords for building search strings. These keywords were Foreign Direct Investment (FDI), FDI determinants, FDI factors, and FDI motivators. The identified keywords were then used in developing Boolean search strings by combining them to make phrases, including factors affecting FDI, factors influencing FDI, and determinants of FDI. The phrases were then used to search titles and abstracts in peer-reviewed journals; for instance, Emerald Insight, Elsevier, JSTOR, and Google Scholar.

Sources of Data	Topics	Types of Data
The Ministry of Commerce and Industry	FDI Policies and Statistics	Statistics
The Ministry of Finance	FDI Facility Development	Statistics
The Public Authority for Investment Promotion	FDI Attraction National Strategy	Reports
The local Chamber of Commerce	Traders' FDI views and expectations	Reports
The Central Bank	FDI GDP Contribution and Development	Statistics
The Salalah Free Zone	Value of FDI Attracted	Reports
Companies Operating in Free Zones in Oman	Investors' Views and Impressions	Reports
Sultan Qaboos University	Academic views about FDI in Oman	Research Analysis

Table 3: Secondary Data Sources Requiring Special Permission

Screening was then performed based on relevance to the research questions and the study's inclusion and exclusion criteria. The selections satisfying the inclusion criteria were reviewed further, starting with the abstracts followed by the full texts, to facilitate additional elimination. From this point onwards, the researcher employed a thematic analysis to identify, extract, and synthesise the main themes. Braun and Clarke (2006) define thematic analysis as the method used for identifying, analysing and reporting patterns or themes within data. Specifically, this relates to Section 2.5 where the 39 FDI Attraction and Impact Factors and their allocation into four clusters was derived and reported as the basis for the work to be conducted in this research.

The complete set of secondary search findings are presented in Chapter 2.

3.7.2 Primary Data Collection Methods

The mixed-method research approach offers a variety of ways to conduct a study. For instance, for primary data collection, Wheeldon (2010) listed three ways of collecting data using mixed methods:

a. The use of quantitative surveys and qualitative interviews (Ahmed, Wasim 2019)
b. The use of different procedures in multiple data collection phases (Byers, 1995)
c. Collecting qualitative and quantitative data simultaneously (Gogolin and Swartz, 1992)

Considering the nature of this research, whereby different data sources were considered to ensure collection of the highest possible quality data in terms of FDI Attraction and Impact in

Oman, primary data were collected through questionnaires and interviews, targeting different stakeholders to obtain the various perspectives required to address the overarching research questions. The researcher developed the following primary data collection procedure to understand the overall FDI environment in Oman:

Types of Data	Collection Techniques	Sources of Data	Time Frame
Primary Data	Questionnaires and Interviews	Six key stakeholder groups: • Government (Including Policy Makers) • Free Zones and Industrial Estates • Investors (International, operating in Oman) • Investors (International, contemplating to invest in Oman) • Local Community (Business) • Local Community (Social)	Between March 2016 and February 2021

Table 4: Primary Data Collection Plan

It is important to note that the researcher used the same participants to collect the primary data through questionnaires and interviews. The questionnaires were primarily designed using closed-ended questions, whilst the interviews gave the participants room to ask for clarifications and/or answer complementary open-ended questions (to account for potential language barriers as questionnaires were only produced in English, and to be compliant with local customs and traditions of seeking one's input in a live format). Thus, while the questionnaires provided evidence of patterns amongst the participants, the interview method was employed to gather more in-depth insights regarding the broader attitudes and thoughts of the participants, including raising issues of concern that might not have been included in the survey.

The questionnaires were always initially sent off-line and in advance, giving the participant time to review, answer, and return, while the interviews were scheduled in a second step. In combination, this allowed the collection of complementary types of information from the participants that then informed both the qualitative and quantitative analyses.

i. Questionnaire

The structured questionnaire was designed in line with the focus described in Section 2.5 and tailored to the respective stakeholder groups listed in Table 4 (see Appendices, 1, 2, 3, 4, and 5). It was constructed by transforming the qualitative data by adding and ranking scale questions to form linear numeric scales. A Likert-type scale (1 to 5) was selected as shown in Table 5. This is an ordinal rating scale that can numerically represent a particular opinion (Ekinci, 2015). The questionnaire was distributed to the participants in order to collect quantitative data, with the adoption of ordinal question scales to strengthen the research outcomes.

Topic	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Question	*Select One Choice Among the Five*				

Table 5: Likert Scale

The questionnaires were delivered using multiple methods such as electronic mail and hand delivery. All participants returned the questionnaires, representing a 100% response rate.

ii. Participants (Questionnaire and Interviews) Sampling

Due to the difficulties associated with collecting data from the entire study population, sampling techniques were employed. Wilson (2014) identified the five key stages for conducting research sampling. These are defining the target population, selecting the sampling frame, choosing the sample techniques, determining the sample, and collecting the data. The current research involved collecting cross-sectional data as a large number of participants were involved. The cross-sectional data needed to be collected from six different participant groups, details of which are as follows:

a) **Government:** FDI Policy Makers, i.e. FDI regulator or policymaker representatives. The FDI regulator is a fruitful source of information about FDI (Kirkpatrick, 2004); these included top officials, deemed to be a reliable source (see Appendix 3)
b) **Free Zones:** Representatives from free zones/industrial estates with active FDI. Free Zones are FDI hosting entities (Matly and Dillon, 2007). The Chief Executive Officers of free zones in Oman (Sohar, Duqum and Al Mazyounha) also participated (see Appendix 4)
c) **Investors:** International investors who have already invested in Oman. Investors from the Salalah Free Zone. The Chairman/Chief Executive Officer or owner of the business were also invited to participate. In other free zones investors in the industrial, logistics or trading sectors were targeted (see Appendix 2)

d) **Investors:** International investors who have not yet invested in Oman (see Appendix 1)

e) **Local Community:** Local Business Leadership (see Appendix 5)

f) **Local Community:** Social Representatives, including Social Council representatives, Members of Parliament, and Chamber of Commerce representatives (see Appendix 5)

These six stakeholder groups were selected to respond to questionnaires and participate in interviews because they are directly linked to FDI in Oman and, jointly, represent all key stakeholders. For instance, the policy makers were included because they formulate FDI legislation and policies, meaning they understand the impact of FDI and are key players in enhancing positive impacts and minimizing the drawbacks of the same through policies. The Free Zone personnel are among the beneficiaries of FDI. The potential investors and investors are stakeholders with foreign investment interests in Oman through the different sectors of the free zones. These stakeholders, together with the local community representatives, possess actual information regarding the impact of FDI in their communities. Therefore, using these stakeholder groups as the basis for data collection was expected to provide the most credible results for this study.

Accordingly, the sample size needed to be large enough to capture an accurate representation of the six participant groups within the study area. Cochran's (1977) sample selection process (detailed in Figure 17) and the sample size determination formula (presented on the following page) provide an important link between the population and the sample (Becker, 2008).

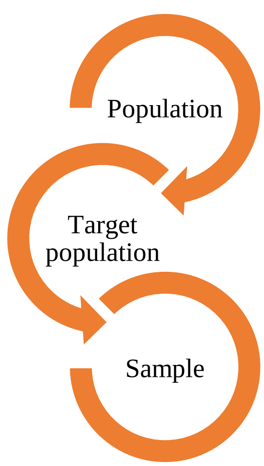

Figure 17: Sample Selection Process

Using Cochran's (1977) sample size determination formula (presented below), the target sample size for the current study was 30 participants.

$$n = \frac{Z^2 p(1-p)}{e^2}$$

In the formula, n represents the sample size, *z* denotes the confidence level from the Z-table, *p* denotes the study population proportion likely to have the desired characteristics, and *e* is the margin of error.

Participant Category	Number of Participants	Percentage
FDI Policy Makers	8	26.7%
Free Zone and Industrial Estates	3	10.0%
Investors (International, Invested)	3	10.0%
Investors (International, Non-Invested)	2	6.7%
Local Business Community	10	33.3%
Local Social Community	4	13.3%
Total	**30**	**100.0%**

Table 6: Number of Participants per Category

The sample size of 30 participants was determined using 300,000 as the estimated population in the study area, 98.05% as the adopted proportion of the study population, 95% as the confidence level, and 5% as the margin of error. Participant selection was based on a systematic sampling method, which is a random sampling technique. This technique assisted the researcher in selecting relevant participants through observation based on experience. The distribution of the 30 participants and their respective percentages are presented in Table 6.

iii. Interviews

The in-depth interviews were conducted with 30 participants (the same 30 who responded to the questionnaires) via face-to-face meetings as well as telephone and internet communication tools in order to gauge their emotions, feelings, and opinions regarding FDI Attraction and Impact.

The researcher's choices as they pertain to the data collection are depicted in Figure 18.

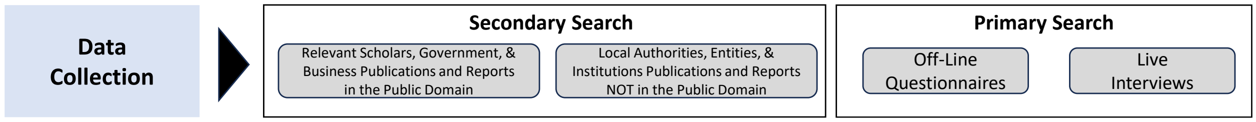

Figure 18: Researcher's Choices Pertaining to the Data Collection

3.8 Data Analysis

The object of analysing the data was to determine the categories, relationships and assumptions that inform the respondents' views of the world in general, and the topic under consideration in particular (McCracken, 1988).

Fisher (2010) described the data analysis stage as seeking to make sense of the research materials. In this study, it involved a repeated cycle of sorting and sifting, followed by writing, and then more sorting and sifting, and continued until the researcher was satisfied with the analytical outcomes.

Numerous researchers have stated that the data collection and analysis process depend on the types of research method used. Wilson (2014) asserted that the researcher's decision with regard to the research methods, the techniques used for data collection, and the quality of the available data, guide the selection of the most appropriate technique(s). Furthermore, authors such as Khan and Adil (2013) have argued that researchers must prepare data with the method of analysis in mind. They believe that selected methods drive the entire data-handling process.

Data analysis in mixed-method research relates to the type of research strategy chosen. Braun and Clarke (2006) argued that thematic analysis is a fundamental method for analysing qualitative data, while content analysis corresponds to quantitative data analysis. Bryman (2015) believes that content analysis is an approach to the analysis of document and texts that seeks to quantify content in terms of predetermined categories and in a systematic, replicable manner. He emphasised that it is an appropriate analytical technique to use with quantitative data. He also argued that analytic induction is the most frequently cited approach to data analysis with regard to qualitative methods.

Using data analysis technology for this research enhanced the quality of the research and the accuracy of the results. Because the researcher developed the research questions in order to investigate two elements related to FDI Attraction and Impacts in Oman, the mixed-method approach was employed for this research.

3.8.1 Quantitative Data Analysis

Nonparametric techniques and tools were used to analyse the quantitative data (i.e. the 30 participants' responses to the 39 Factors supplied in their respective returned questionnaires), in line with the following suggestions by Allen and Seaman (2007, pp. 64-65):

> "*As a general rule, mean and standard deviation are invalid parameters for descriptive statistics whenever data are on ordinal scales, as are any parametric analyses based on the normal distribution. Nonparametric procedures—based on the rank, median or range—are appropriate for analysing these data, as are distribution free methods such as tabulations, frequencies, contingency tables and chi-squared statistics".*

This enabled the researcher to use the 39 Factors as a set to study the phenomenon under observation (i.e. FDI Attraction and Impact in Oman) and to rank them within a stakeholder group as well as across stakeholder groups while using the median to infer their relative importance.

i. The Reliability Test

The overall suitability of data (primary or secondary) depends on the measurement of its reliability and the extent of its validity. Authors such as Hair Jr. et al. (2015) have argued that measurement bias may occur for three reasons: the deliberate distortion of data, changes in the way the data are collected, and data collection techniques that do not truly measure the topic of interest.

Whilst Section 2.5 established the legitimacy and credibility of each of the 39 Factors (individually and under the four clusters) based on the extensive literature review and the researcher's analysis, it is equally important to establish their legitimacy and credibility to explain the phenomenon under observation (i.e. FDI Attraction and Impact in Oman). Without this, it would be reckless to interpret statistical inferences based on the participants' responses. This is the reason why Cronbach's alpha was used. The remainder of this sub-section defines this measure, explains why it was chosen over other methods, and describes how it was calculated.

Cronbach's alpha measures how closely related a set of items are as a group, and is often used as evidence that the items under consideration measure an underlying construct (Nunnally and Bernstein, 1994). Taber (2018) noted that Cronbach's alpha is mainly employed when developing and reporting research instruments for studies involving the adoption of existing instruments or the development of new instruments for measuring the phenomena of interest. It is, therefore, a coefficient of reliability. The current study considers only one type of instrument, specifically the Likert scale (as described in the description of the questionnaires in Section 3.7). Scales were considered in this study because they measure affective domain constructs.

Trizano-Hermosilla and Alvarado (2016) noted that the omega coefficient and the Greatest Lower Bound method (GLB) coefficient are some of the alternatives to Cronbach's alpha. However, in the current study, these alternatives were not employed because Cronbach's Alpha constituted a familiar and effective measure of scale reliability for the data in this study.

As is often the case, the reported Cronbach's alpha result was obtained using SPSS and Excel after inputting the data into the software, and was calculated using the following formula:

$$\alpha = \frac{N\bar{c}}{\bar{v} + (N-1)\bar{c}}$$

where N is equal to the number of items, c is the average inter-item covariance among the items, and v equals the average variance.

The Cronbach's alpha result for this study (i.e. with regard to the questionnaire) was 0.931 for the 39 Factors, as presented in Table 7.

Cronbach's alpha	**Cronbach's alpha Based on Standardized Items**	**Number of Items**
0.871	0.931	39

Table 7: Reliability Statistics

The value (0.931) is considered acceptable because it exceeds the minimum acceptable level of 0.70. The generally accepted interpretation scale is as follows, which indicates the degree of scale reliability:

- > 0.9 – Excellent
- > 0.8 – Good
- > 0.7 – Acceptable
- > 0.6 – Questionable
- > 0.5 – Poor
- < 0.5 – Unacceptable

ii. Relative Importance Index (RII) Analysis

The RII was selected to rank the criteria (in this context the 39 Factors) according to their relative importance. The RII analysis allows researchers to identify the most important criteria from the responses of the participants.

Johnson and LeBreton (2004) noted that dominance analysis and relative weights are some of the effective alternative measures of relative importance. Dominance analysis is a method used to compare the relative importance of predictors in multiple regression to determine the dominance of one predictor over another by comparing their additional R2 contributions across all subset models. This analysis utilises actual values of a given variable to calculate which is the most dominant. Relative Weight uses a regression method with actual values. However, these were not deemed to be a good fit with the mixed-method construction of the research in this study.

Rooshdi et al. (2018) state that RII is an appropriate tool for prioritising criteria rated on Likert-type scales (actually, it can only be used for Likert scale variables). This assured the researcher that RII analysis was suitable for the current study as the questionnaires issued to the participants contained Likert-type scales. As such, the tool was employed to prioritise the factors rated on the Likert-scales from the questionnaires issued to the participants. The following formula is used to determine the relative index:

$$\boxed{\mathrm{RII} = \frac{\sum WI}{\mathrm{AxN}}}$$

where W is the weighting assigned by each respondent on a scale of one to five, with one implying the least and five the highest; A is the highest weight; and N is the total number of the sample.

Based on the ranking (R) of relative indices (RI), the weighted average for the two groups was determined. According to Akadiri (2012), five important levels are transformed from RI values: high (H) ($0.8 \leq RI \leq 1$), high medium (H–M) ($0.6 \leq RI \leq 0.8$), medium (M) ($0.4 \leq RI \leq 0.6$), medium-low (M-L) ($0.2 \leq RI \leq 0.4$), and low (L) ($0 \leq RI \leq 0.2$). This ranking enabled the researcher to identify the most important criteria based on the participant responses.

3.8.2 Qualitative Data Analysis

Regarding the qualitative data, the researcher ensured the reliability and validity of the data by choosing appropriate measurement methods.

Thematic analysis is a set of inductive and iterative techniques that identifies, compares and contrasts possible themes from verbatim transcripts (Guest, MacQueen and Namey, 2011). It focuses on identifying and describing both implicit and explicit ideas within the data: the themes and codes are typically developed to represent the identified themes and then applied or linked to raw data. This is the most useful form of analysis when it comes to capturing the complexities of meaning within a textual data set, and is the most common form of analysis used in qualitative research.

Topic	Code
Investor	INV
Local Community	LOC
Attraction	ATT
Infrastructure	INF
National Economy	NEC
Government	GOV
Foreign Direct Investment	FDI
Impact	IMP
Utilities	UTI
Oman	OMA

Table 8: Data Coding

Following the process of data collection, qualitative data obtained from the recorded interviews were analysed using the content and thematic analysis approaches to predetermine the categories in a systematic and replicable manner. NVivo10 software was used to perform this task and Table 8 presents the key codes employed in this effort. These were used to support the interpretation of the participants' input, as described in Chapter 5.

The researcher's choices as they pertain to the research data analysis are depicted in Figure 19.

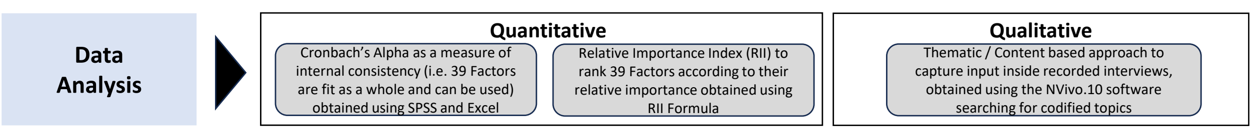

Figure 19: Researcher's Choices Pertaining to the Data Analysis

Figure 20 presents a comprehensive overview of the researcher's choices made in Sub-Section 3.3 through to 3.8.

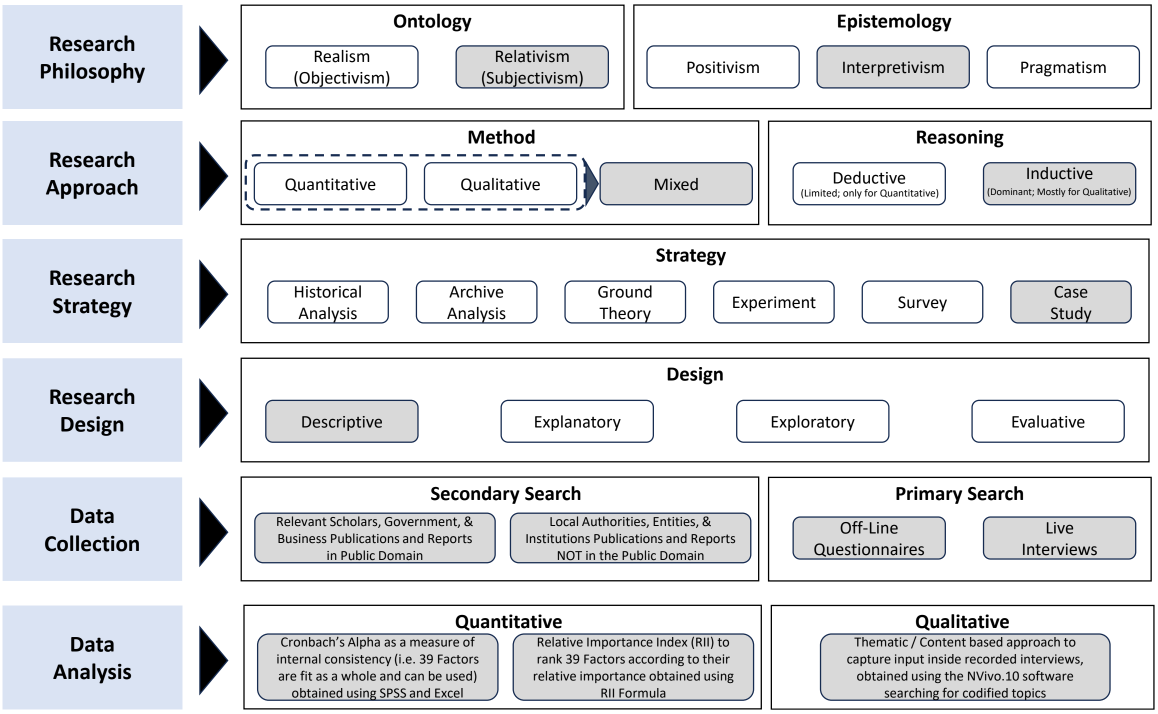

Figure 20: Researcher's Choices Pertaining to the Overall Research Framework

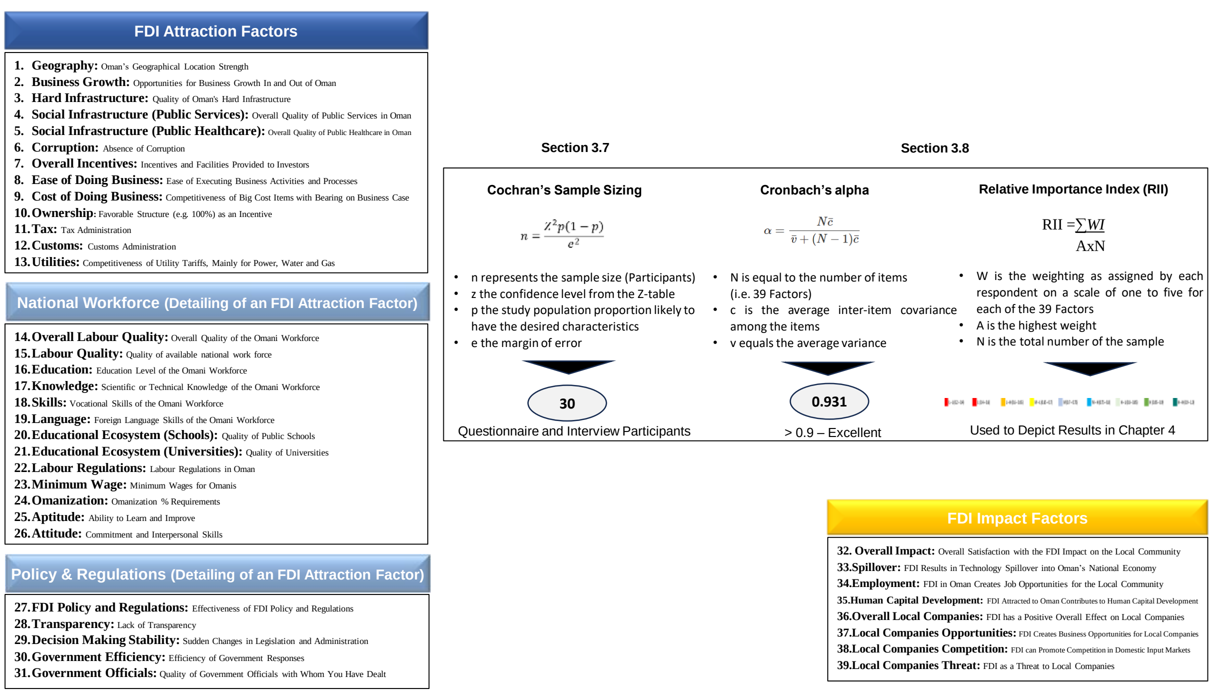

Figure 21: Data Collection and Data Analysis Basis

Figure 21 summarizes the contributions of Section 3.7 (Data Collection) and Section 3.8 (Data Analysis).

3.9. Ethical Issues and Principles

Richardson and McMullan (2007) emphasised that research ethics are the moral principles guiding research, from its inception through to completion and publication of results and beyond (McAreavey and Muir, 2011). Research ethics involves two key actors: researchers and participants.

Fisher (2010) categorised the ethical considerations of research into three stages: access, collection, and analysis (see Figure 22). Each stage involves elements of activities and tasks that require interaction and agreement between the researcher and the other parties involved in the research project.

Marzano (2012) also highlighted other ethical issues, including people's tendency to hide information and data due to their sensitivity, and the need for the researcher to develop an understanding with others in order to earn their trust and make them comfortable. Some of the investors in this research transparently shared their negative experiences; thus, the author accepted such negative responses without changing the content of their comments. Moreover, to demonstrate the researcher's confidence in their responses, participants were allowed to re-assess the search results and findings and explain their feedback.

Access Negotiation Stage	Data Collection Stage	Analysis and Reporting Stage
• Terms of reference with organisations • Right to privacy • Confidential agreements • Informed consent, freely given	• Disinterestedness • Deception • Confidentiality and anonymity • Permission to use video voice recorder • Storage of data • Practitioner/researcher	• Objectivity • Conflicts of interest • Misuse of research

Figure 22: Research Stages

Researchers generally agree that social research must be conducted ethically. For example, for the purpose of conducting this research, the following ethical principles, as developed by Saunders (2011), were followed:

- The integrity and objectivity of the researchers
- Respect for others
- The avoidance of harm

- The privacy of those taking part
- The voluntary nature of participation, and the right to withdraw

In this research, the ethical issues related to the researcher and the 30 FDI stakeholders who have participated in this study. All research steps and activities were subject to the NTU Professional Doctorate Courses Ethical Approval Checklist.

Given that the researcher is employed as a key leader in the Salalah Free Zone, a high level of ethical practice was implemented throughout all the research stages (access, collection and analysis), particularly regarding voluntary participation. This involved the researcher explaining the nature and purposes of the research to those who participated and were connected with the Salalah Free Zone, and using informed consent forms to make things clearer for the participants, but without using his position to coerce participation.

With regard to access, Saunders (2011) emphasised that the appropriateness of the data source is dependent on three elements: the research questions, the research objectives, and the research design. He also argued that there were three types of access:

- Traditional access (involving face-to-face interviews)
- Internet-mediated access (involving the use of technology such as the web and email)
- Hybrid access (a combination of traditional and internet-mediated and technological elements)

For the purpose of undertaking this research, hybrid access was adopted to ensure the best possible access to target sources. The researcher used Wilson's (2014) strategies, listed below, to gain access to appropriate sources:

- Be familiar with organisations, groups, and individuals before contacting them,
- Utilise personal contacts to create new ones
- Establish credibility
- Use appropriate language
- Give sufficient information about the purpose of the research and the type of access required

The researcher faced several challenges related to ethical implications due to the sensitivity of their role as executive director of one of the key stakeholders of the FDI environment in Oman. Some of the data sources, including other Free Zones in Oman such as the Sohar Free Zone and the Duqum Free Zone, which are competitors with the Salalah Free Zone, had to be treated in a transparent and open manner, as some of the information and data could not be shared with the Salalah Free Zone management; for example, their means of attraction in terms of FDI procedures and strategies. Other ethical considerations related to local community members and government officials who had to be treated in a confidential way, as their participation might have been negatively affected if their details had been shared with the general public.

3.10 Conclusion

This chapter was critical in that it created the “bridge” on one hand between the aim of this research as presented in Chapter 1, and the focus of the research reached at the end of Chapter 2 through the presentation of the 39 Factors and allocation to the four clusters and, on the other hand, Chapters 4, 5, 6, and 7 where, in respective order, participants’ results are presented and discussed, derived findings insights are interpreted, improvement recommendations are articulated by the researcher, and societal impacts are discussed. Therefore, the researcher provided in this chapter a detailed overview of the research framework used and the parts that constitute it, as depicted in Figure 20. In doing so, the researcher argued for the merits of the choices made and how they helped to answer the research questions.

In summary, in the first part (Section 3.3 through to 3.6) the researcher discussed the research setup in terms of research philosophy, research approach, research strategy, and research design. The researcher adopted a stance that is best characterized as having a relativistic ontological and interpretivist epistemological position, leading to the adoption of a mixed-method research approach (with predominant inductive reasoning) while employing a descriptive research design under a case study type research strategy.

Section 3.7 on data collection illuminated the secondary search conducted (both in the public domain and otherwise) as well as the primary search using both off-line questionnaires and live interviews with the same set of 30 participants that were deemed to be relevant FDI stakeholders for the purpose of this study.

Section 3.8 on data analysis explained how the quantitative data was validated (using Cronbach's alpha) and ranked based on relative importance (using the RII method).

Finally, in Sub-Section 3.9, the researcher confirmed the integrity of the study as it relates to and is compliant with ethical issues and principles.

Chapters 1, 2, and 3 provided the background to this research work, while Chapters 4, 5, 6, and 7 will now present the contributions of this study. More specifically, in the next chapter, the researcher presents the quantitative views of 30 participants on the 39 Factors to form a structured, consolidated perspective which is then discussed in Chapter 5.

Chapter 4: Analysis

4.1 Introduction

The findings discussed in this chapter are based on the input of the 30 participants across the six stakeholder groups, namely, Policy Makers (PM), Free and Industrial Zones (FIZ), Investors (INV), Local Business Community (LBC), Non-Invested (N-INV), and Local Social Community (LSC).

Specifically, the input of the participants was collected with regard to the 39 FDI Factors distributed across the four clusters, namely, “FDI Attraction” (thirteen factors), “National Workforce” (thirteen factors), “Policy and Regulations” (five factors), and “FDI Impact” (eight factors), as listed in Section 2.5 of Chapter 2. It is important to note that, as described in Section 2.5 of Chapter 2, National Workforce and Policy and Regulations are FDI Attraction Factors but given their importance they are being called out here to put more emphasis on them by detailing them through more factors.

In line with the research methodology, numerous methods and processes were involved in order to view the evidence from diverse perspectives. This was necessary in order to enrich and construct the findings by bringing together the measurements and framework of the construct definitions (Eisenhardt, 1989).

As described in Section 3.8.1 of Chapter 3, the results of the questionnaire were analysed using SPSS and Microsoft Excel tools, and then identified and ranked according to their importance using the Relative Importance Index (RII) which, according to Akadiri (2011), comprises the levels listed in Table 9. The researcher refined these further (colour legends in graphs) for greater granularity.

RII Values	Importance Level	
$0.8 \leq RII \leq 1$	High	H
$0.6 \leq RII \leq 0.8$	High-Medium	H-M
$0.4 \leq RII \leq 0.6$	Medium	M
$0.2 \leq RII \leq 0.4$	Medium-Low	M-L
$0 \leq RII \leq 0.2$	Low	L

Table 9: RII Importance Levels

As described in Section 3.8.2 of Chapter 3, this study also involved descriptive research, and the data obtained from the interviews were analysed using NVivo10 software through the method of thematic analysis. The items were coded as follows: Investor (INV), Local Community (LOC), Attraction (ATT), Infrastructure (INF), National Economy (NEC), Government (GOV), Foreign Direct Investment (FDI), Impacts (IMP), Utilities (UTI), and Oman as (OMA).

This chapter presents the findings in a structured manner, while Chapters 5 and 6 are respectively concerned with interpreting the findings and detailing the resulting improvement recommendations.

4.2 FDI Attraction Factors – Participants' Scores

The analysis of the findings revealed that all stakeholder groups held the opinion that the "Geography" and the availability of opportunities for "Business Growth" are the leading factors underpinning FDI attraction to Oman (see Figure 23). They point to the potential of Oman's FDI Attraction and are naturally key factors that any rational investor would consider.

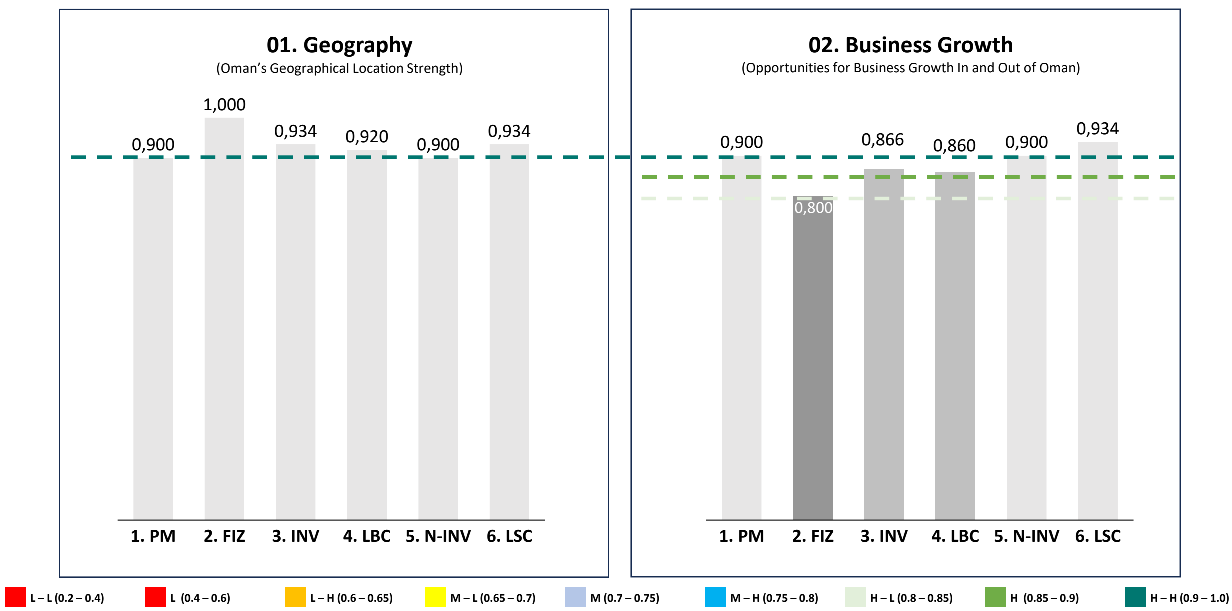

Figure 23: "Geography" and "Business Growth" Factors

Whilst the "Geography" factor received unanimous support, the "Business Growth" elicited a slightly less homogeneous view (although it still ranked high). This reflects the different priorities of the stakeholders (in this case, FIZ, INV, and LBC not seeing the full potential of "Business Growth" materializing).

The stakeholder groups had a mixed perspective regarding the quality of the Infrastructure. All held the opinion that the quality of the “Hard Infrastructure” is very good, while the quality of the “Social Infrastructure”, namely the quality of “Public Services” and “Public Healthcare”, returned lukewarm results (see Figure 24).

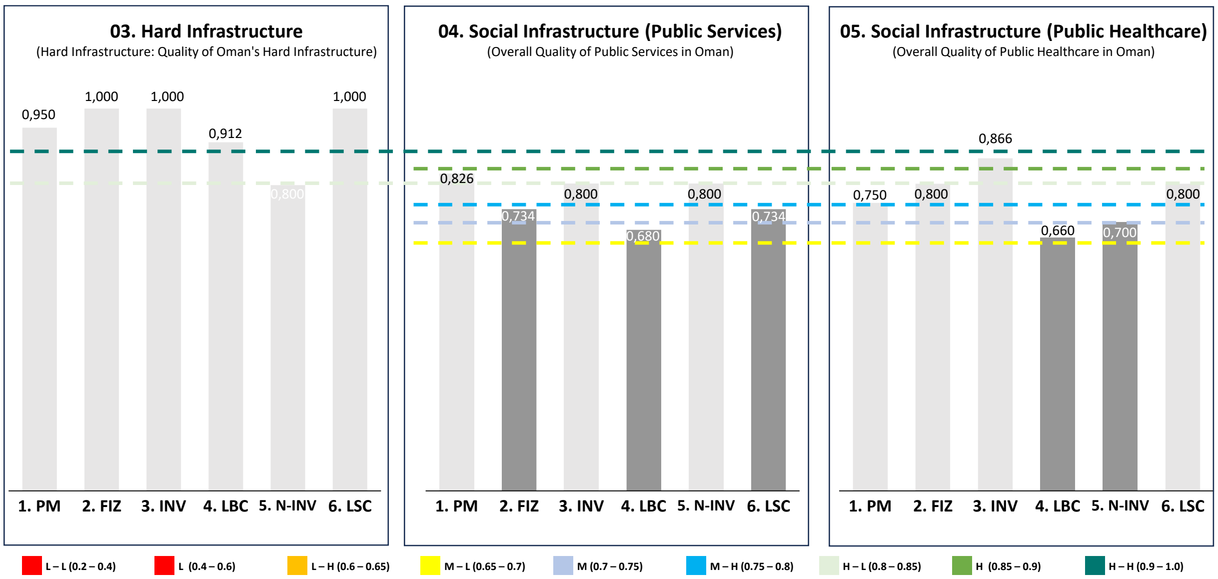

Figure 24: “Hard and Social Infrastructure (Public Services/Public Healthcare)” Factors

The more homogeneous results for the “Hard Infrastructure” Factor stems from the fact that it can be judged more objectively. Conversely, the lower (compared to the “Hard Infrastructure”) and less homogeneous scores for “Social Infrastructure (Public Services)” and “Social Infrastructure (Public Healthcare)” Factors were more a reflection of subjective views, probably based on exposure and/or experience with such factors. Intriguingly, it was the locals (i.e. FIZ; LBC; LSC) that had the most negative view of the “Social Infrastructure (Public Services)” factor while the INV stakeholder group were more positive. While not necessarily detrimental to FDI Attraction efforts, the findings point to an area for improvement.

Once a potential investor has assessed the viability of a target country destination from the perspective of “Geography”, “Business Growth”, “Hard Infrastructure”, “Social Infrastructure (Public Services)”, and “Social Infrastructure (Public Healthcare)” Factors, he/she would naturally evaluate the factors with a real and direct bearing on the business case, starting with an evaluation of the business environment, namely “Corruption” and “Overall Incentives”, followed by an evaluation of the “Ease of Doing Business” and “Cost of Doing Business”, and with regard to the latter, delving deeper into such factors as “Ownership”, “Tax”, “Customs”, and “Utilities”.

Figure 25 depicts the views of the various stakeholder groups with regard to the “Corruption” and “Overall Incentives” Factors.

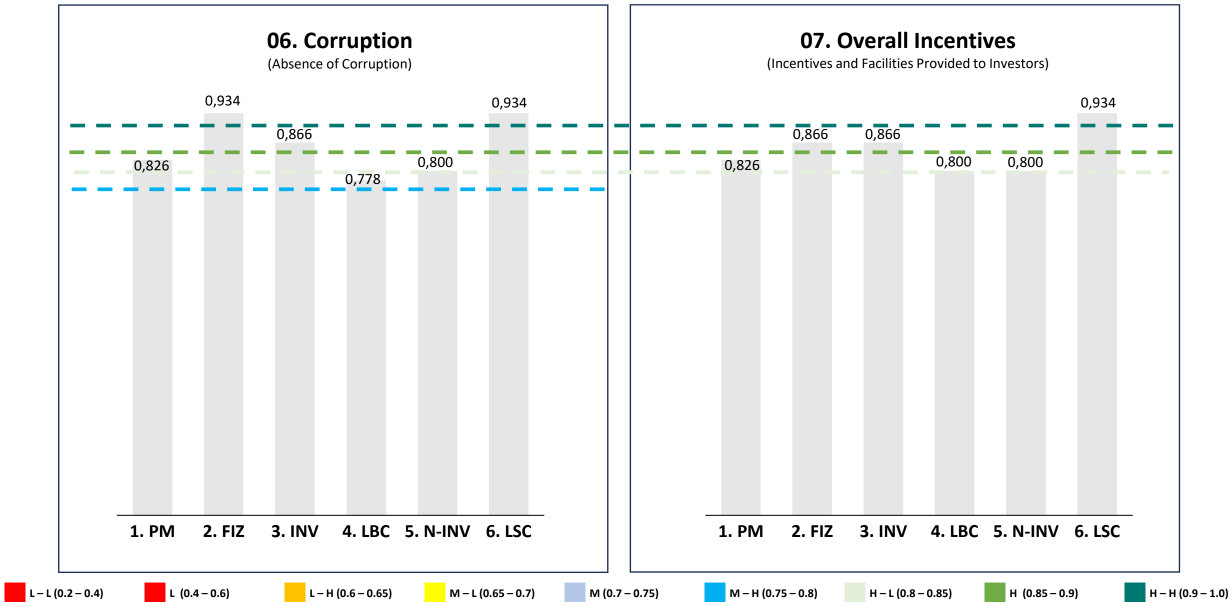

Figure 25: “Corruption” and “Overall Incentives” Factors

Figure 25 clearly indicates that all stakeholder groups strongly believed that “Corruption” is not an issue in Oman and that the “Overall Incentives” that exist in Oman are positively perceived. Combined, they provide initial assurance as to the attractiveness of the Business Environment in Oman.

The evaluation of the Business Environment from the perspective of “Ease of Doing Business” and “Cost of Doing Business” Factors reveals a less than favourable view overall and a heterogeneous view across the various stakeholder groups. It is notable that while the LBC had, in both instances, a rather pessimistic view of these two factors, the FIZ and INV held contrary views, with the INV feeling that the “Ease of Doing Business” was rather good while the “Cost of Doing Business” was less favourable (see Figure 26). With respect to the results pertaining to policymakers (PM), this might point to a natural bias not to be self-critical.

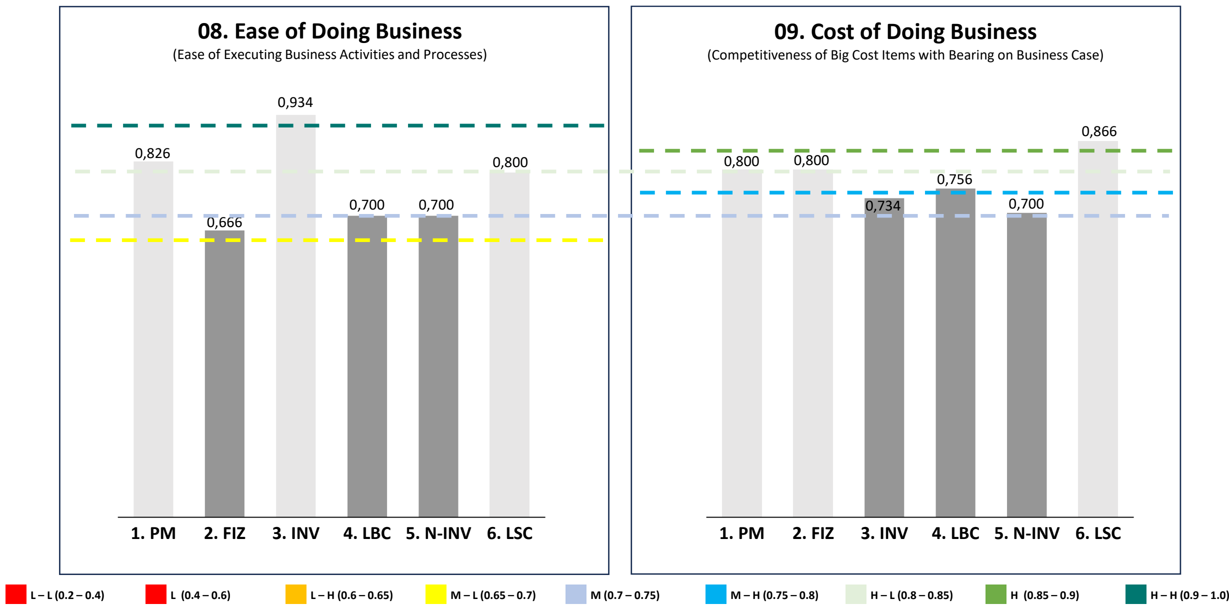

Figure 26: "Ease of Doing Business" and "Cost of Doing Business" Factors

A deeper examination of the "Cost of Doing Business", through an analysis of factors such as "Ownership", "Tax", "Customs", and "Utilities", reveals a disparity of views and a less than favourable view overall, as depicted in Figure 27.

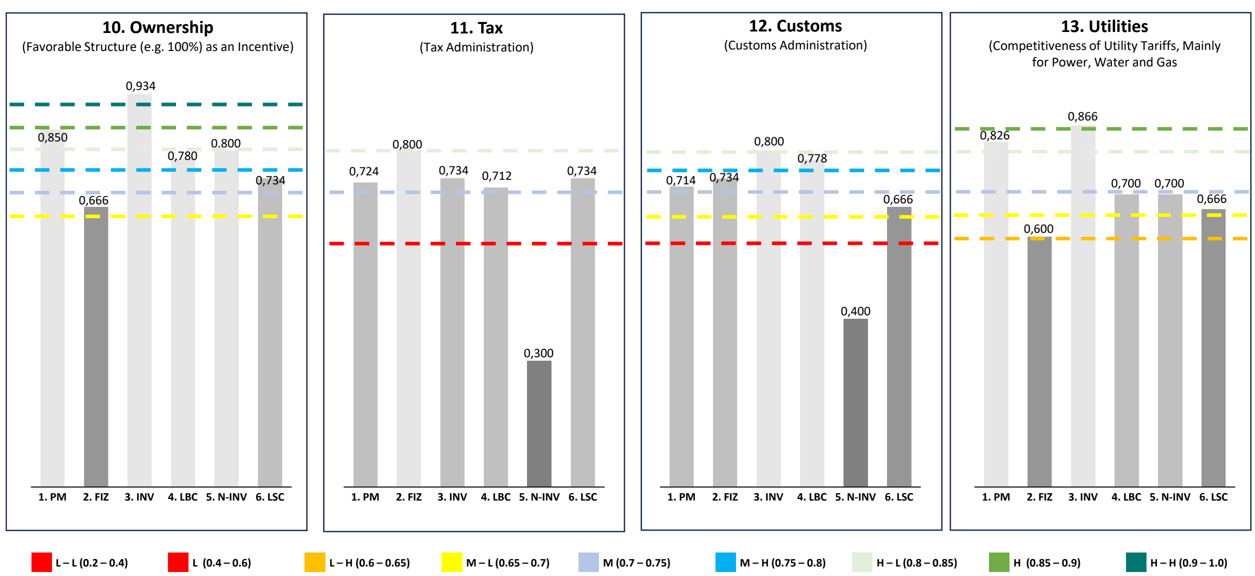

Figure 27: "Ownership", "Tax", "Customs", and "Utilities" Factors

With regard to the "Ownership" Factor, there was a favourable view overall, but, strikingly, not a consistently positive one. The INV stakeholder group gave it the highest ranking, while the

PM gave it the second highest ranking (perhaps feeling there is room for improvement), while the FIZ stakeholder group had the most pessimistic view.

The “Tax” and “Customs” Factors elicited a rather consistent view across the stakeholder groups (with a slightly lower score than for Ownership). The N-INV gave both a rather low score, perhaps due to the limited exposure/interaction (i.e. not yet operating in the country).

As for “Utilities”, it is worth noting that the INV stakeholder group was the most satisfied with them, a genuine sign of possible competitiveness. At the same time, the FIZ stakeholder group gave it the lowest score, perhaps in an attempt to call for help or additional support that would aid their investor attraction efforts.

Finally, a holistic view of the thirteen “FDI Attraction” Factors across the six stakeholder groups (as depicted in Figure 28) reveals that Oman has excellent FDI Attraction potential and is well underway to realising this. Chapter 5 will develop this issue further.

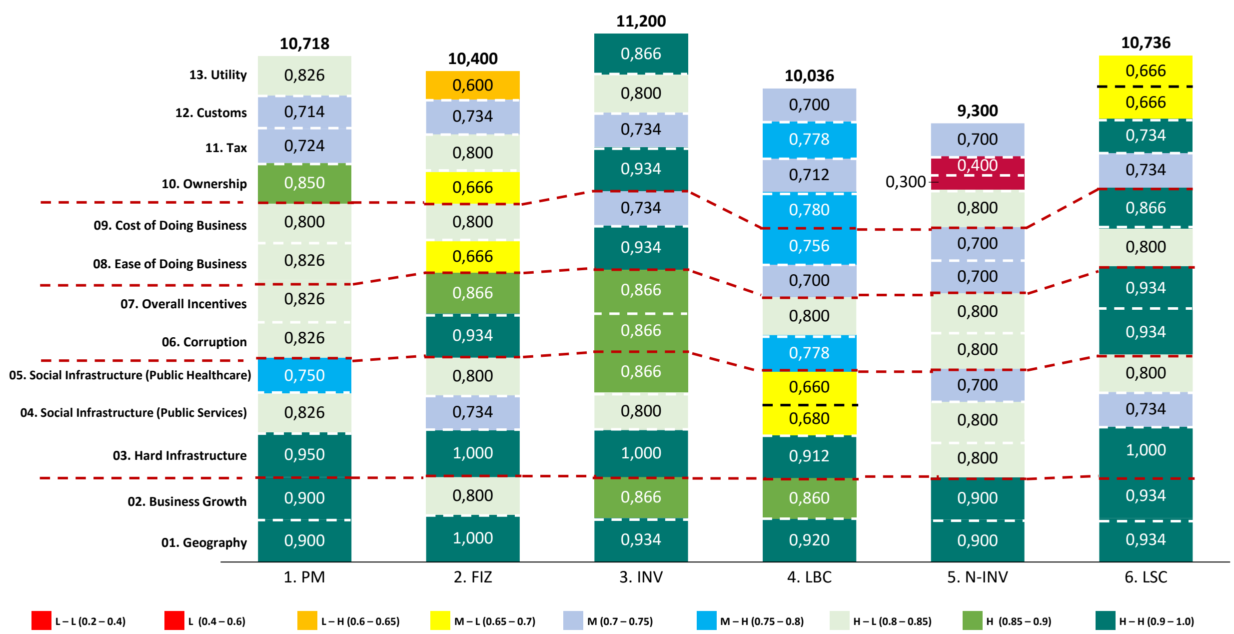

Figure 28: Holistic View of Thirteen “FDI Attraction” Factors across Six Stakeholder Groups

It is encouraging to see that the INV stakeholder group was the most satisfied across all thirteen factors, with scores predominantly in the High and High-High RII categories.

The PM stakeholder group offered a hedged view, reflecting a balancing act between subjectivity and objectivity as well as pacing improvement efforts. This is presumably extremely important, as policy makers can actually make changes to the factors that do, or do not, attract FDI.

Equally, the scores and thus views of the N-INV stakeholder group are a reflection of an honest perspective based on the existing facts at hand.

However, the disparity of the scores within and across the three “local” stakeholder groups FIZ, LBC, and LSC is a cause for concern. This suggests more reflection is needed on what might explain these differences and what can be done to improve the situation for all groups.

It also suggests that whilst Oman has what appears to be a strong foundation with the performance of Factors 01 to 07, the last six Factors (i.e. 08 to 13) present a real platform from which to discuss potential improvement recommendations.

4.3 National Workforce Factors – Participants’ Scores

The analysis of the “National Workforce” Factors findings indicates that all stakeholder groups held a moderate opinion of the “Overall Labour Quality” in Oman (see Figure 29).

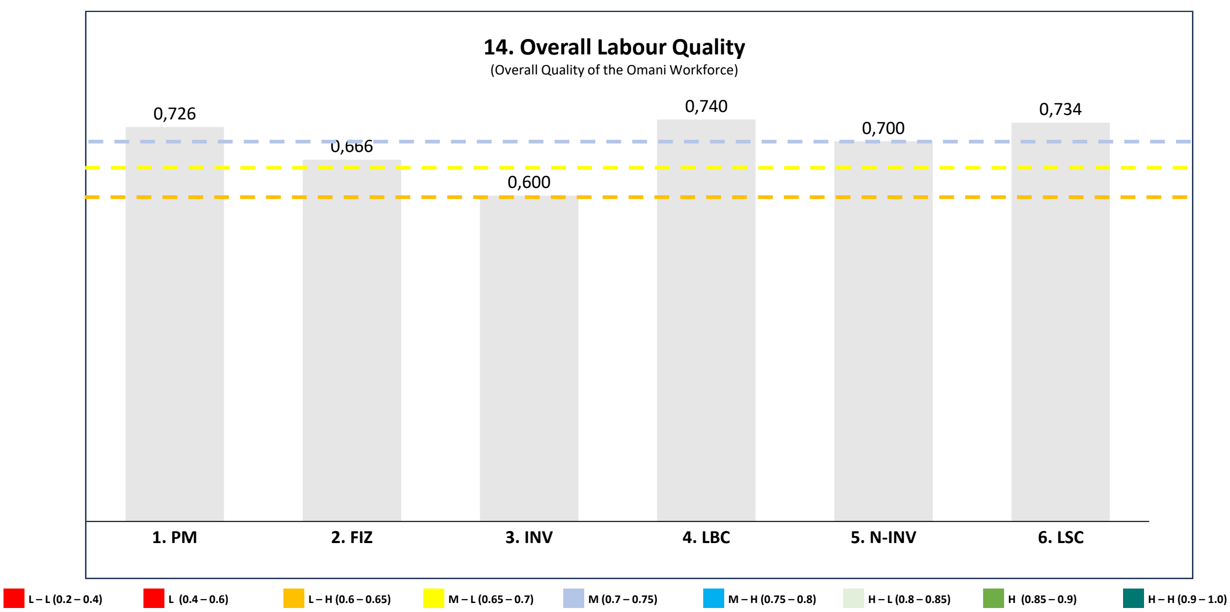

Figure 29: “Overall Labour Quality” Factor

Notably, the three stakeholder groups INV, FIZ, and PM had an almost aligned view of “Overall Labour Quality” Factor, with the INV stakeholder group being the most outspoken about the less than desirable quality. This opening finding is substantiated by the findings of the remaining Factors in the "National Workforce" category. The same findings were found for Factor 15 "Labour Quality".

The analyses of the findings of Four Factors "Education", "Knowledge", "Skills", and "Language" shed light as to why most stakeholders have a less than complimentary view of "Overall Labour Quality" (see Figure 30 below).

The analysis of the "Education" Factor finding unsurprisingly provides the same output as for "Overall Labour Quality", with the same degrees of relativity across the stakeholder groups. Importantly, however, the respective stakeholder groups gave almost the same scores for each of the three other factors (i.e. "Knowledge", "Skills", "Language") and all were consistently higher than the score they gave for the "Education" Factor. This probably stems from the fact that their perspective on Education was a generic, holistic view, while the score for each of the three other factors was probably based on personal experiences/interactions as they relate to and might arise from job-specific experience. This would explain why the scores of the N-INV stakeholder group were not as tempered as those of the other groups across these three Factors.

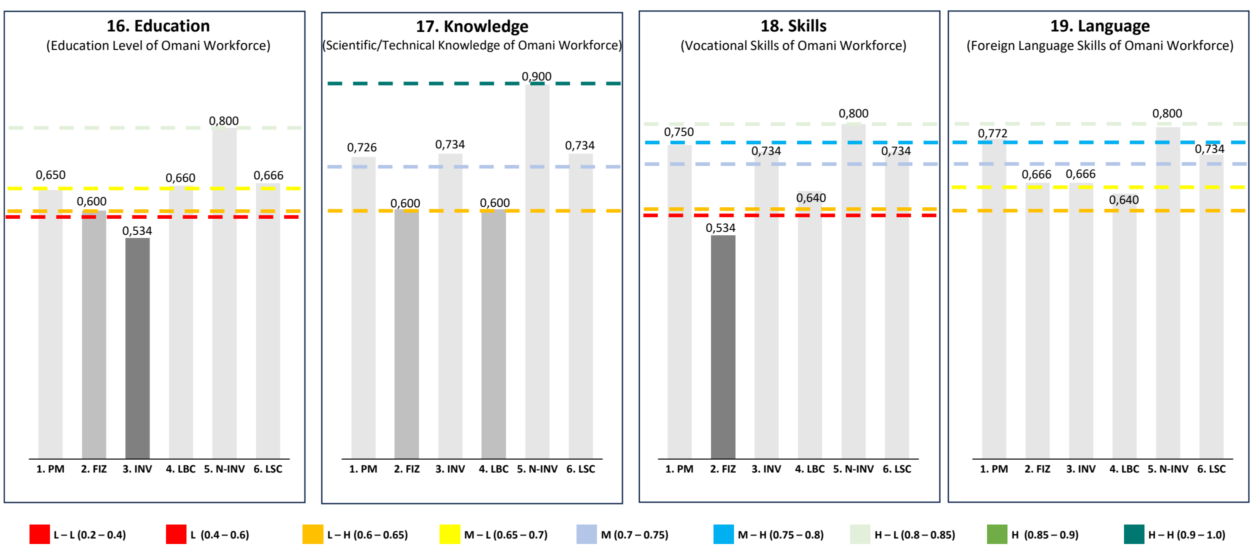

Figure 30: "Education", "Knowledge", "Skills", and "Language" Factors

The analysis of the "Educational System (Schools)" and "Educational System (Universities) Factors findings indicates that perspectives on "Overall Labour Quality" is probably the direct result of what is perceived to be a below par educational system in Oman today (see Figure 31 below).

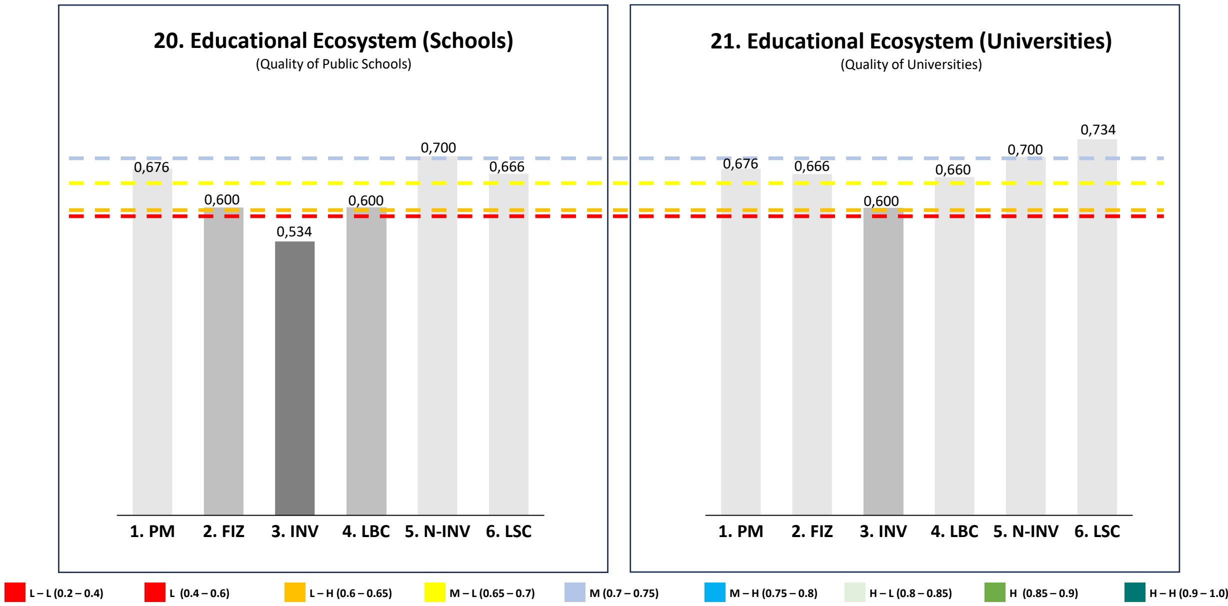

Figure 31: "Educational System (Schools)" and "Educational System (Universities) Factors

The stakeholder groups followed up in a second step to assert that the interventions in terms of "Labour Regulations", "Minimum Wage", and "Omanisation" (see Figure 32 below) were effectively creating an abstraction of the above findings and are probably exacerbating the situation by prescribing employment and remuneration that is not necessarily based on meritocracy and job performance.

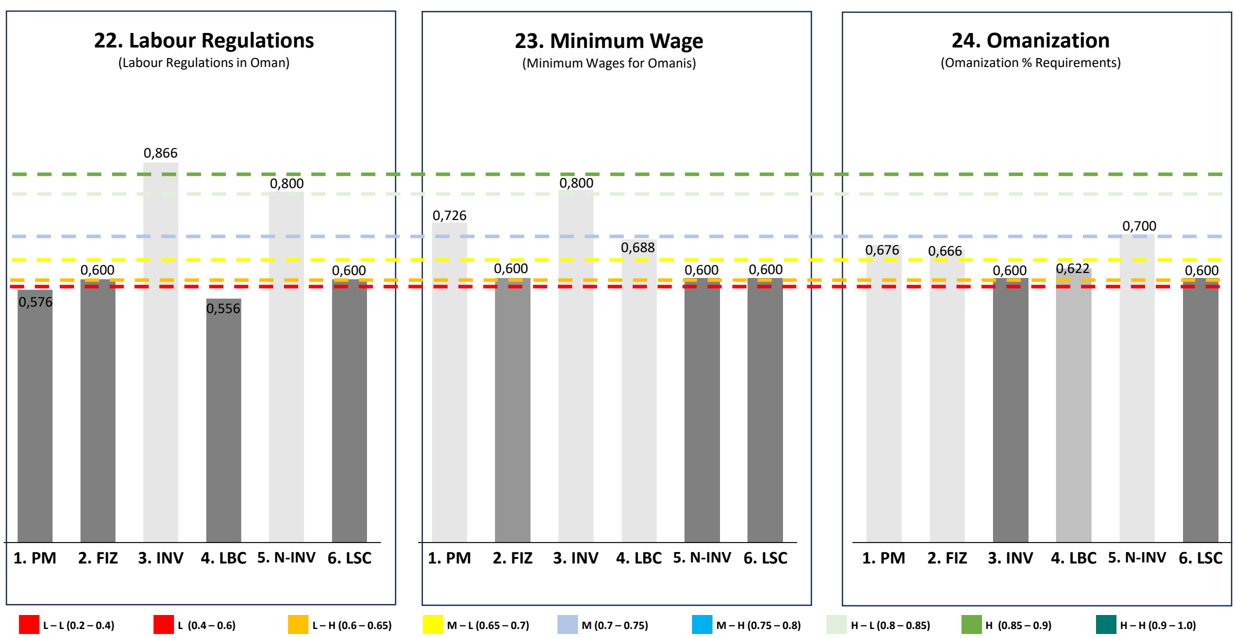

Figure 32: "Labour Regulations", "Minimum Wage", and "Omanization" Factors

Finally, the cross-analysis of the “Aptitude” and “Attitude” Factors (see Figure 33 below) returned an output that is consistent with the above findings. This reveals that “Attitude” appears to be the bigger issue. Notably, the perspective of the INV stakeholder group was perhaps forward looking, as opposed to a view of the current situation.

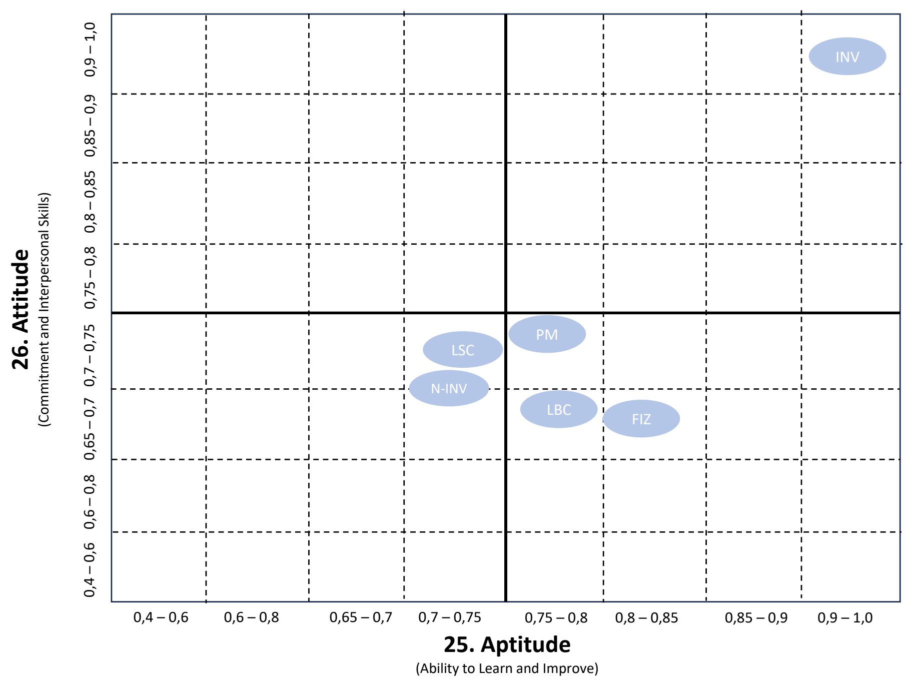

Figure 33: “Aptitude” and “Attitude” Factors

Finally, a holistic view of the thirteen “National Workforce” Factors across the six stakeholder groups (as depicted in Figure 34) suggests that Oman needs to monitor more closely the evolution of the National Workforce to ensure that the sought-after benefits that accrue from attracting FDI do materialize.

The holistic view here is substantially different from that observed for the “FDI Attraction” Factors. This could potentially become an area of concern for Oman, as investors, while not necessarily comforted by a less than ideal National Workforce, could circumvent the issue through the hiring of non-Nationals, leaving Oman with a missed opportunity, which presumably would also work against the aims of the Omanization policy.

Consistent with previous observations, the FIZ and LBC expressed highly pessimistic views of the National Workforce, far more pronounced than those of INV and PM.

Perhaps the best way to summarize the take aways from this category is to say that the National Workforce is a real ‘Catch 22’ for Oman. Should the National Workforce improve to enhance FDI Attraction efforts, or is the direction of causality the other way around? Time will tell, but either way Oman must take this feedback seriously and adjust its approach.

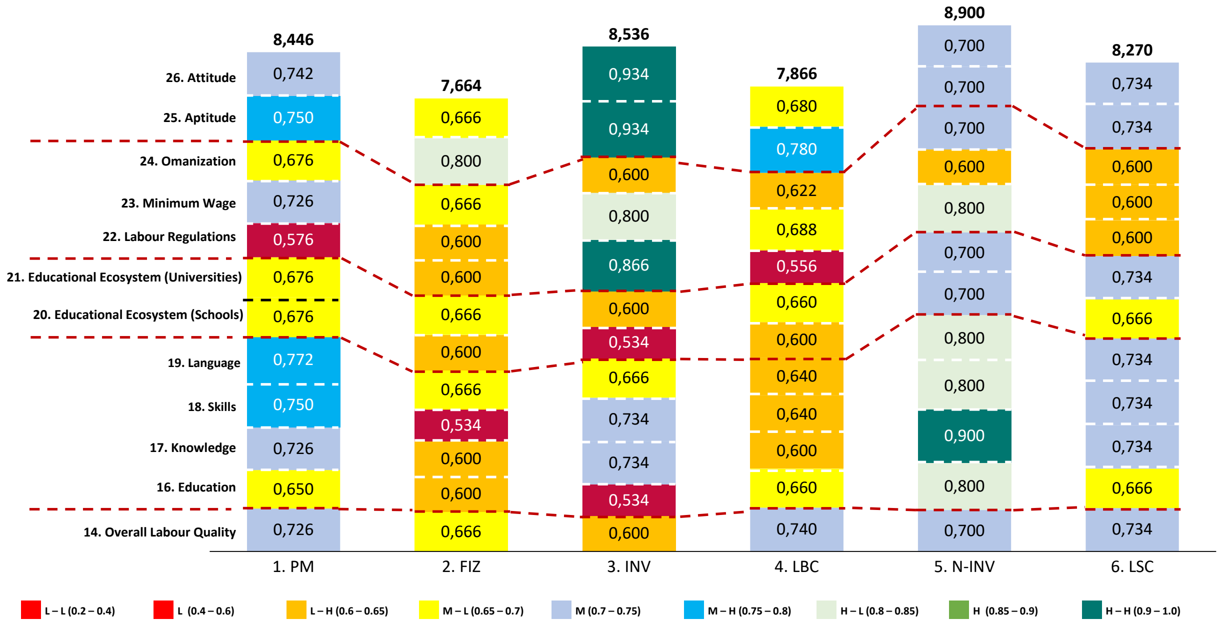

Figure 34: Holistic View of 12 "National Workforce" Factors across Six Stakeholder Groups

4.4 Policy and Regulations Factors – Participants' Scores

Whilst the previous two categories focused on Factors that elucidate the attractiveness of Oman as an FDI destination, this section is concerned with Factors that help illuminate how the Omani authorities are capturing areas for improvement and are taking feedback on board to improve the overall FDI attractiveness of the country.

The analysis of the findings of three factors, namely "FDI Policy and Regulations", "Transparency", and "Decision Making Stability", reveals mixed perspectives (see Figure 35 below). Overall, the stakeholder groups somewhat justify their perspectives on the "FDI Policy and Regulations" Factor by what they perceive as below par "Transparency" and "Decision Making Stability" Factors. Indeed, regarding these two factors, all stakeholder groups expressed a harsh view, while the PM stakeholder group offered a moderate view in stark contrast to the others (perhaps driven by the obvious bias such factors present the PM with).

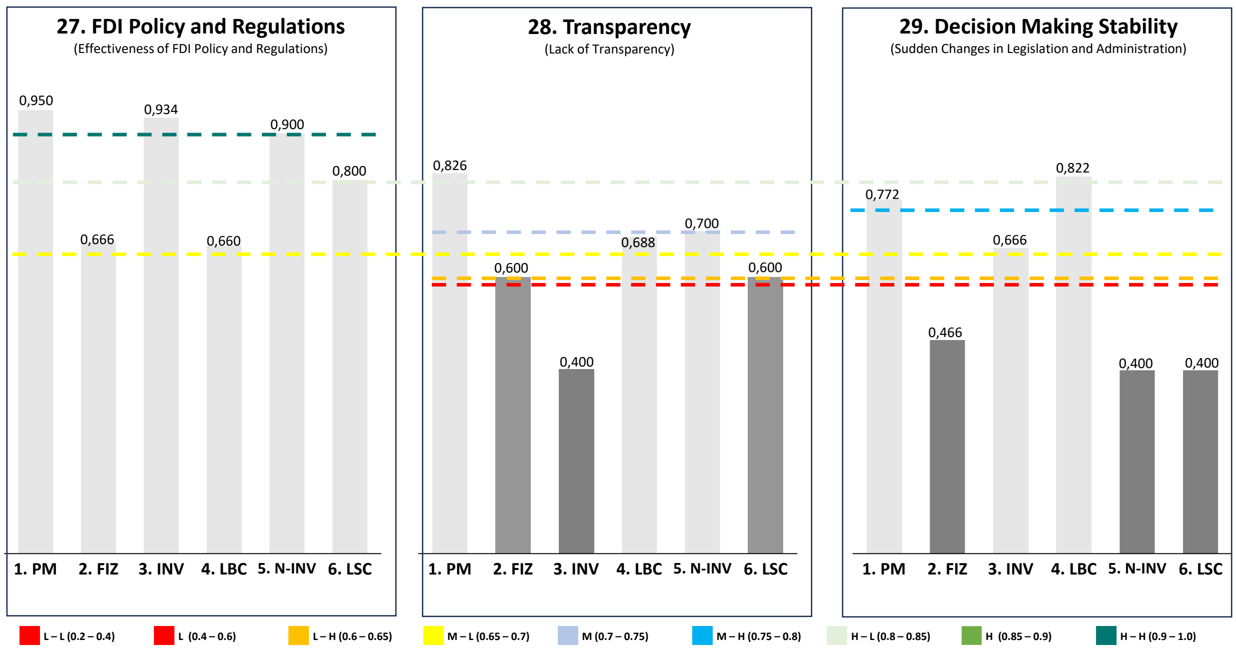

Figure 35: "FDI Policy and Regulations", "Transparency", and "Decision Making Stability" Factors

Furthermore, with regard to the "FDI Policy and Regulations" Factor, it is instructive to notice the contrast in perspectives between the PM and INV stakeholder groups, on one hand, and the FIZ and LBC on the other; a trend consistent with what has been observed in the analyses of the findings of the previous two categories.

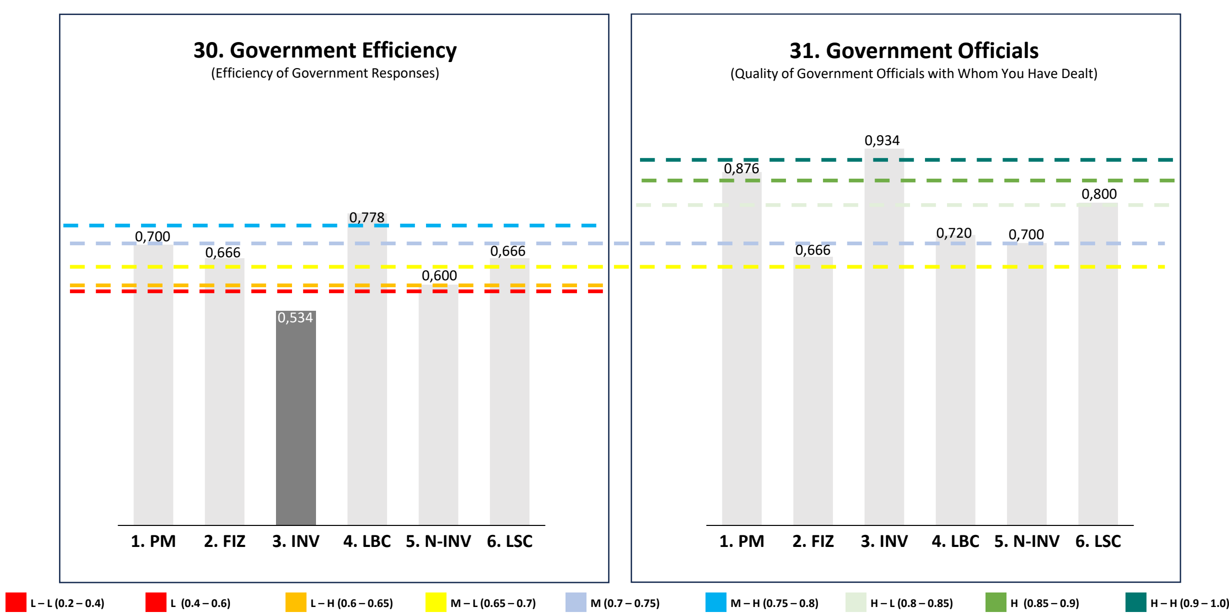

Figure 36: "Government Efficiency" and "Government Officials" Factors

The analysis of the findings of the "Government Efficiency" and "Government Officials" Factors (see Figure 36 above) indicates that while all stakeholder groups take issue with the Government Efficiency overall, they appear to have had slightly better interactions with Government Officials, possibly hinting that while efficiency is not where it needs to be right now, they are encouraged by the Officials' receptiveness and possibly their willingness to address the issues at hand.

Finally, a holistic view of the five "Policy and Regulations" Factors across the six stakeholder groups (as depicted in Figure 37) reveals that while there is a real and concerted effort to improve matters, the execution is perhaps not as flawless and as fast as many in the business community would have hoped. This is also evident when examining the scores of each of the six stakeholder groups. The PM stakeholder group gave the highest score, a reflection that from their perspective they are doing what is necessary (albeit perhaps less concerned with the fact that what is on paper does not necessarily translate to reality on the ground). The INV stakeholder group retuned scores that essentially say that while the FDI Policy and Regulations as well as Government Officials are good; overall, the execution is extremely poor, as seen from the scores for the other three factors. The FIZ and LBC were consistent across the study with extremely negative views across the board. This presents Oman with a genuine opportunity to improve its image and, in doing so, enhance its FDI inflows by addressing the challenges highlighted in this section.

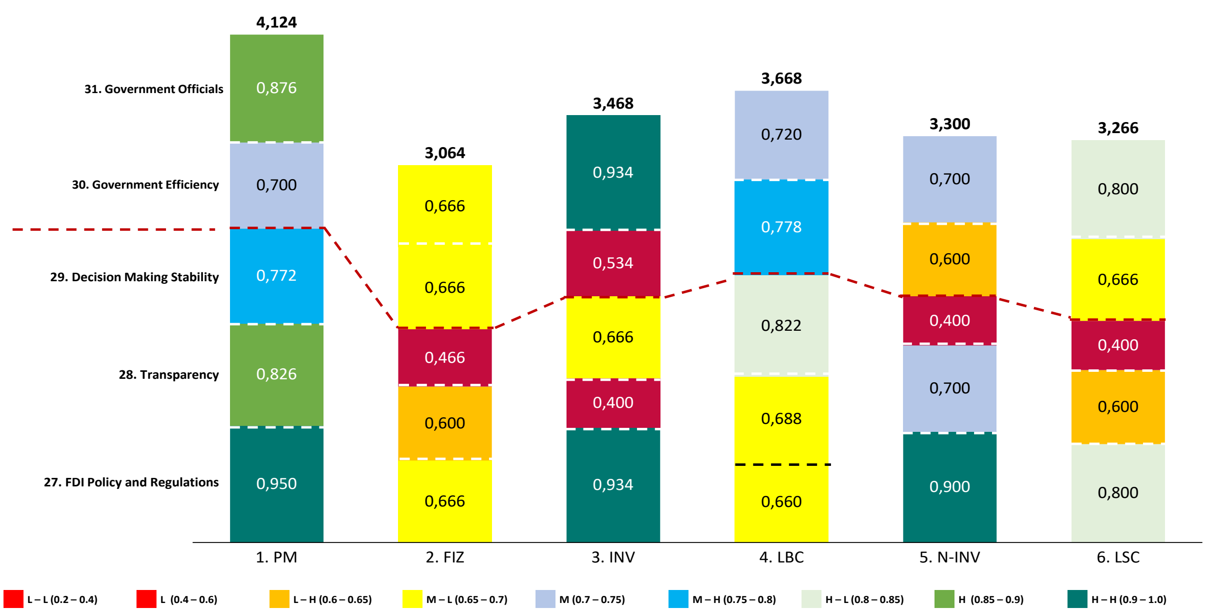

Figure 37: Holistic View of Five "Policy and Regulations" Factors across Six Stakeholder Groups

4.5 FDI Impact Factors – Participants' Scores

This section focuses on factors that help understand the FDI Impact in Oman. The analysis of the findings of two factors, namely "Overall Impact" and "Spillover", suggests that in the eyes of the stakeholder groups, the benefits still have some way to go, particularly when it comes to the technological spillover (see Figure 38).

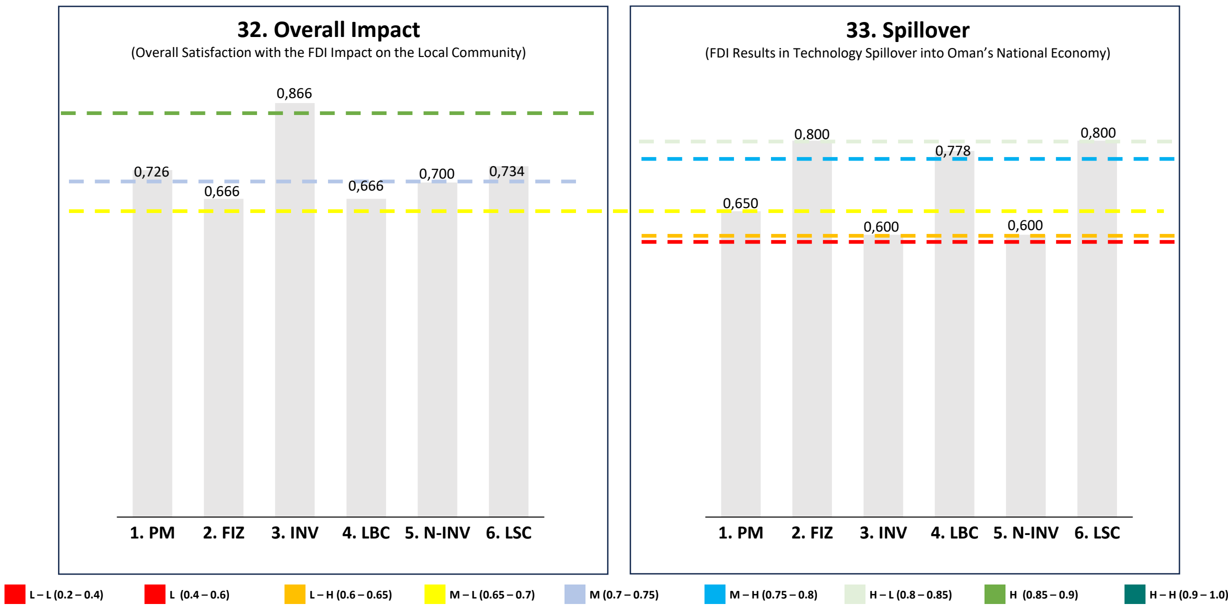

Figure 38: "Overall Impact" and "Spillover" Factors

It is striking to notice that FIZ and INV express opposite views (as seen in previous categories), while PM, in contrast to other aspects, expressed a reserved view.

However, the analysis of the "Employment" and "Human Capital Development" Factors reveals a unanimous alignment on the positive impact of FDI, albeit leaving room for improvement (see Figure 39). This perhaps suggests that some view FDI as helping to deliver the human capital development that is not being initially developed by Oman's education system.

In the same vein as for the above two factors, all stakeholder groups shared a uniformly positive view regarding the FDI Impact on "Overall Local Companies", "Local Companies Opportunities", "Local Companies Competition", and ""Local Companies Threat"(see Figure 40).

Specifically, they believed that FDI has created opportunities for local companies without stimulating the right level of competition among these local companies. They were also adamant that FDI does not present a threat to local companies.

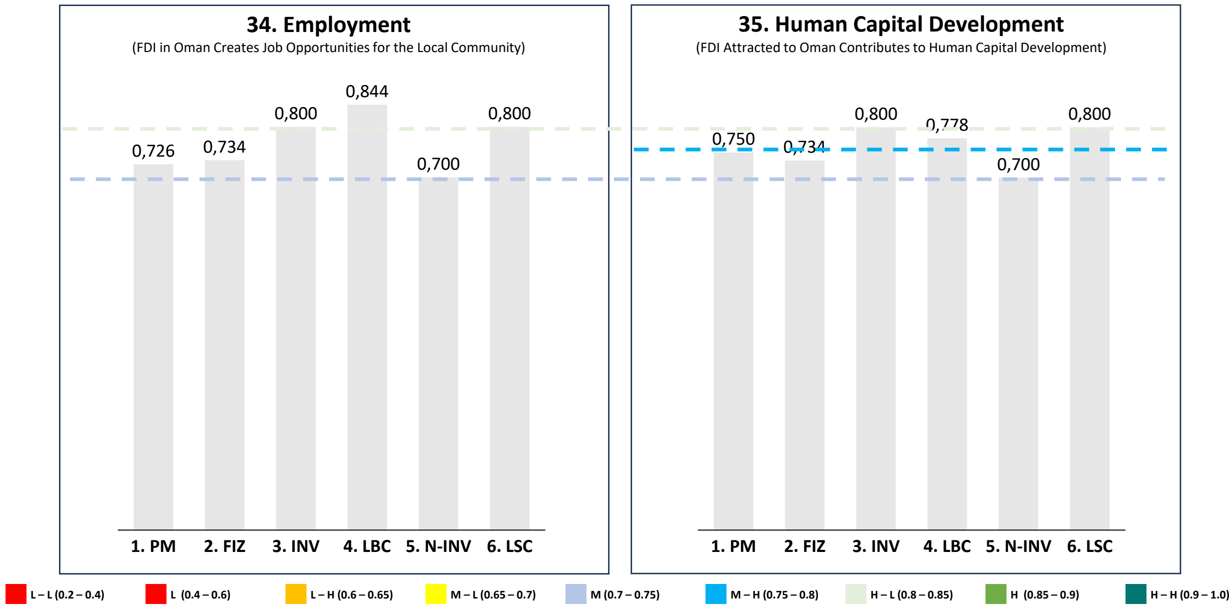

Figure 39: "Employment" and "Human Capital Development" Factors

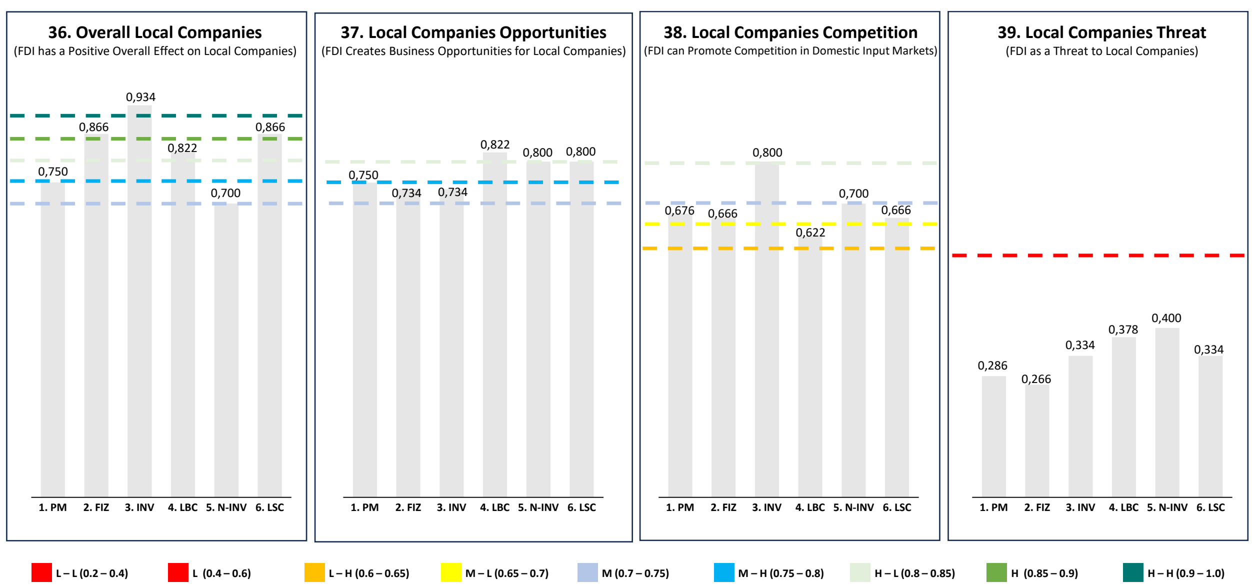

Figure 40: "Overall Local Companies", "Local Companies Opportunities", "Local Companies Competition", and ""Local Companies Threat" Factors

Finally, a holistic view of the eight "FDI Impact" Factors across the six stakeholder groups (as depicted in Figure 41) indicates that while there is an overall consensus that the FDI Impact is positive, perspectives as to the make-up of the FDI Impact were quite eclectic across the six stakeholder groups.

With the exception of all participants overwhelmingly agreeing that FDI is not a threat to local companies, the relative difference in scores across the other seven factors should not be taken lightly as these constitute a real measure of the subjective nature of FDI and what it entails.

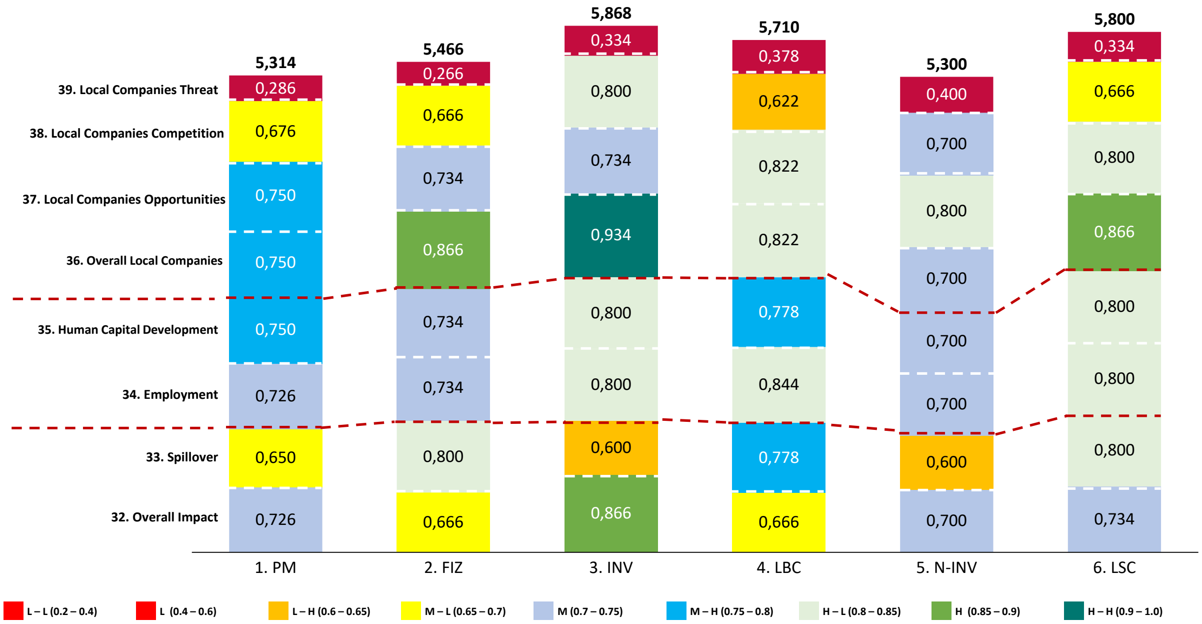

Figure 41: Holistic View of Eight "FDI Impact" Factors across Six Stakeholder Groups

In summary, this chapter presented the scores of the 30 participants (across six stakeholder groups) on the 39 FDI Factors (across the four clusters) in a structured and organised manner (see Figure 42).

The intent (before proceeding to the interpretation of the scores, which is the focus of Chapter 5) was to assess the relative importance of the 39 FDI Factors within and across stakeholder groups. This comparative analysis of the results made it possible to identify where consensus is realised and to form a basis for interpretation from triangulation in cases where a disparity of views exists.

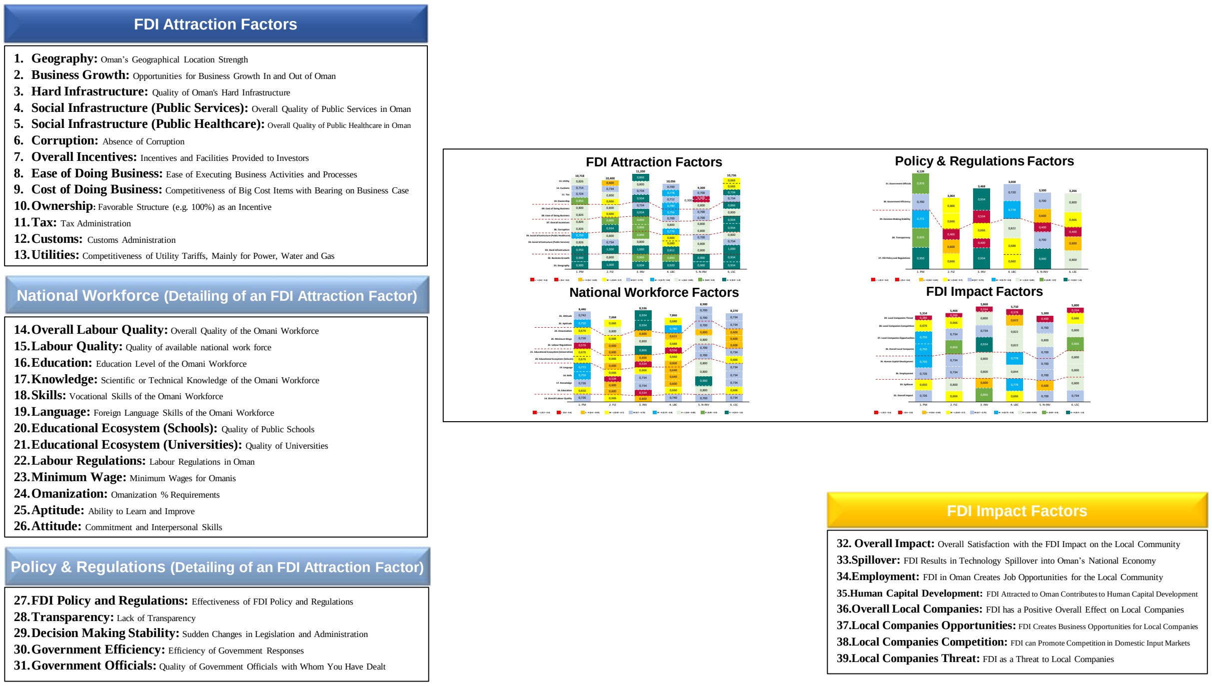

Figure 42: Analysis of the 39 Factors RII Scores Across the 30 Participants

4.6 Conclusion

A holistic view of the thirteen "FDI Attraction" Factors across the six stakeholder groups reveals that Oman has excellent FDI Attraction potential and is well underway to achieving this. It shows that whilst Oman has what appears to be a strong foundation with the performance of Factors 01 to 07 (i.e. Geography; Business Growth; Hard and Social Infrastructure; Corruption; Overall Incentives), the last six Factors from 08 to 13 (i.e. Ease and Cost of Doing Business; Ownership; Tax; Customs; Utility) present a real platform from which to discuss potential improvement recommendations. Similarly, it was encouraging to observe that the Investors (INV) stakeholder group was the one most satisfied across all thirteen factors, with scores predominantly in the High and High-High RII categories, contrasting with the scores of the Not Yet Invested (N-INV) stakeholder group which revealed a more ambivalent position. The Policy Maker (PM) stakeholder group offered a hedged view, reflecting a balancing act between subjectivity and objectivity as well as pacing improvement efforts. However, the disparity of the scores within and across the three "local" stakeholder groups that are Free and Industrial Zones (FIZ), Local Business Community (LBC), and Local Social Community (LSC) is a cause for concern. This suggests more reflection is needed on what might explain these differences and what can be done to improve the situation for all groups.

The holistic view of the thirteen "National Workforce" Factors across the six stakeholder groups suggests that Oman needs to monitor more closely the evolution of the National Workforce to ensure that the sought-after benefits accrued by attracting FDI do materialize. Consistent with previous observations, the FIZ and LBC expressed extremely pessimistic views of the National Workforce, far more pronounced than those of INV and PM. This could potentially become an area of concern for Oman, as investors, while not necessarily comforted by a less than ideal National Workforce, could circumvent the issue through the hiring of non-Nationals, leaving Oman with a missed opportunity, which presumably would also work against the aims of the Omanization policy.

Finally, the holistic view of the five "Policy and Regulations" Factors across the six stakeholder groups suggests that while there is a real and concerted effort to improve matters, the execution is perhaps not as flawless and as fast as many in the business community would have hoped. This is also evident when examining the scores of each of the six stakeholder groups. The PM stakeholder group yielded the highest score, a reflection that from their perspective they are doing what is necessary (albeit perhaps not as concerned with the fact that what is on paper does not necessarily translate to reality on the ground). The INV stakeholder group yielded scores that essentially say that while the FDI Policy and Regulations as well as Government Officials is good, the overall execution is extremely poor, as evident from the scores of the other three factors. The FIZ and LBC were consistent in expressing extremely negative views across the board. Oman has a genuine opportunity here to improve its image and in doing so enhance its FDI inflows by addressing the highlighted challenges.

With regard to the holistic view of the eight "FDI Impact" Factors across the six stakeholder groups, this indicates that while there is an overall consensus that the FDI Impact is positive, perspectives regarding the make-up of the FDI Impact were quite eclectic across the six stakeholder groups.

With the exception of all participants overwhelmingly agreeing that FDI is not a threat to local companies, the relative difference in scores across the other seven factors should not be taken lightly as it is an authentic measure of the subjective nature of FDI and what it entails.

Chapter 5 moves on to interpret the above findings in order to provide more context and guide the articulation of essential improvement recommendations.

Chapter 5: Findings and Discussion

5.1 Introduction

This study has established that the FDI performance in Oman is a journey that is gaining momentum. The Omani Government, National Workforce, and Local Communities have embraced the importance of FDI and thus the impact it has on the economic development of the country – as a result, investors have responded positively to their concerted efforts.

The analysis of the 31 determinant factors that relate to attracting FDI into Oman, spread over the three clusters “FDI Attraction”, “National Workforce”, and “Policy and Regulations”, not only demonstrated a symbiotic relationship between all of the stakeholders of the ecosystem but also, and perhaps most importantly, a positive learning dynamic.

Equally, the analysis of the 8 impact factors revealed the various impacts of the increased level of FDI within Oman. These are evident in the country's GDP, in the labour market, in technological advancement in the country, and through the improved value additions to Small and Medium Enterprises (SMEs) within the cities of Salalah and Dhofar.

To discuss in detail the interpretation of the findings under each of the four clusters, this chapter is divided into four sections which collectively articulate a clear understanding of FDI performance to date in Oman.

Finally, the study has established that the Sultanate of Oman has not yet fully explored its FDI attraction potential, and that there is real scope for improvement. These recommendations are discussed in the next chapter.

5.2 FDI Attraction

In this section, thirteen FDI Factors (from the list of 39, as derived in Section 2.2 of Chapter 2) are reviewed. These are Geography, Business Growth, Hard Infrastructure, Social Infrastructure (Public Services), Social Infrastructure (Public Healthcare), Corruption, Overall Incentives, Ease of Doing Business, Cost of Doing Business, Ownership, Tax, Customs, and Utilities.

The review of the scores of the 30 participants (across the six stakeholder groups) on these thirteen Factors in Chapter 4 indicated that Oman has enormous FDI Attraction potential and is well on the way to realising this. Specifically, it shows that whilst Oman has what appears to be a strong foundation with Factors 01 to 07 (i.e. Geography; Business Growth; Hard and Social Infrastructure; Corruption; Overall Incentives), the last six Factors from 08 to 13 (i.e. Ease and Cost of Doing Business; Ownership; Tax; Customs; Utility) present a real platform from which to discuss potential improvement recommendations. The remainder of this section provides context to interpret the participants' scores and thus input.

5.2.1 Factors Deemed Moderately Good to Very Strong: Geography, Business Growth, and Hard and Social Infrastructure

The study has generated a clear view on these three Factors. For instance, through its naturally advantageous "Geography" (i.e. physical location), Oman has de facto a strong FDI Attraction potential (specifically in terms of regional and global market reach) which, from the stance of Investors, should be auspicious for "Business Growth". This also suggests that all participants believe the Government is taking the right measures to develop the "Hard Infrastructure" to help unlock this potential. However, with regard to Social Infrastructure (Public Services; Public Healthcare), the study returned relatively lower (compared to the "Hard Infrastructure") and less homogeneous scores (across the six stakeholder groups), which at this stage might not necessarily be detrimental to FDI Attraction efforts, but nevertheless point to an area for improvement. Below are some of the arguments used to substantiate this interpretation.

5.2.1.1 "Geography": Very Strong Scores

Several participants emphasised that foreign investors are attracted to countries that are politically stable as they guarantee them security for their investments. Thus, the geographical location of an FDI host country has a bearing on its relationship with other nations and international markets (Hill, Hwang, and Kim, 1990 in Section 2.2.3.1.ii). For example, interviewees ID27 and ID23 argued that the instability in the region, and the political challenges in most GCC countries, have increased the potential for countries with a high level of political stability to attract foreign investment. Because Oman is one of the most politically stable countries in the region, it is in a strong position in relation to its neighbours in terms of FDI attraction (Dalwai, Mohammadi, and Chugh, 2019 in Section 1.1.3).

It is important to note, however, that as part of Dunning's OLI Framework, "Location" (which "Geography" pertains to) is about more than just political stability. In this sense, all participants were unequivocal about the strength of Oman's geographical location, especially when referring to access to the regional and global markets which Oman's geographical location enables. Most of the participants argued that Oman has a physical location which should really encourage foreign investment and that the government should utilise its geographical location and strategic position to enhance the economic situation. All participants stressed that Oman is geographically well-situated in the Gulf region, as it is next to India and Africa and strategically located to conveniently reach Europe and Asia. This makes the country attractive for FDI attraction compared to the rest of the GCC countries, suggesting that it has the potential to develop into an economic hub in the Gulf region. Participants noted that the country has started to explore this potential by investing in developing its infrastructure to include ports and free zones such as in Salalah and Duqm. This has given Oman proximity to major shipping lines, and it is already commanding a significant share of the global maritime commercial traffic. This is consistent with the findings relayed in Chapter 2, notably the study by Amohsin et al. (2018) in section 2.3.2.3.

What can be inferred from this is that all participants strongly agree that Oman has a natural privileged geographical location that ought to make a strong case for FDI attraction (i.e. easier than a landlocked country surrounded by underdeveloped neighbouring countries).

5.2.1.2 "Business Growth": Very Strong Scores

Participants made it clear that market size and its potential for growth are crucial. These claims are in accordance with the findings of Omanwa (2013) and Naeem and Azam (2005) as described in Section 2.3.2.4. These concluded that a country's GDP level has a significant positive impact on the inflow of FDI, as some companies target countries with greater purchasing power.

As such, most participants argued that Oman's internal market is not as attractive as those of neighbouring countries such as the UAE, Qatar, and Saudi Arabia. They recognised that Oman has a small population which may not provide an adequate market for all the goods produced by the investors. However, in the same vein, they also argued that the strategic location of Oman gives it access to international markets through exports to European and Asian markets and thus makes Oman an attractive destination for FDI as a "market" that can be understood as being regional or even global, not just local. In that sense, this is very consistent with the findings of the literature review, particularly how trade openness (even more relevant in the case of reaching out to regional and global markets) enables Business Growth (Zaman et al., 2018; Grossman and Helpman, 1991 in Section 2.3.2.4), and how Oman has been taking the relevant steps to encourage this (e.g. GCC trade agreements; US Free Trade Agreement, as mentioned at the end of Section 2.3.2.4).

To that end, some participants (e.g. ID27 and ID06) emphasised that this point ought to be further reinforced with target investors abroad as it would enhance Oman's FDI Attraction performance. For example, there is a need to upgrade and expand the marketing strategy through global outreach programmes (e.g. Chambers of Commerce; Investor Attraction International Field Offices) to promote the country's brand abroad and strengthen the case for Business Growth.

5.2.1.3 "Hard Infrastructure": Very Strong Scores

This study has shown that Oman has made significant and massive investment in the core infrastructure in the form of modern ports, airports, roads, utilities, and free zones. As a result, Oman has a great deal of modern infrastructure in terms of land and air transportation, and includes international bonded standards. It also has some of the most strategically-located ports which provide relatively cheap and fast transport to major markets in Asia, and enormous potential to further improve connectivity to other major ports (e.g. Shanghai).

Such Hard Infrastructure has a direct impact on securing the resources and materials from their origins and enhancing the timely delivery of products to the addressable international market. This demonstrates how Oman is seeking to use its strategic location, while accepting that its small domestic market requires a focus on connecting it to regional and global markets. This is also consistent with the findings of the literature review in Chapter 2, notably the studies by Al-Mukhaini and Al-Badi (2018) and Yildirim (2014) in Section 2.3.2.5.

For example, participants ID05 and ID24 agreed that Oman has good Hard Infrastructure such as ports and free zones, enabling it to be strategically positioned as an FDI hub in the GCC region. The participants also noted that the situation will continue to improve as the government engages in more infrastructure development projects. However, all participants agreed that in term of attracting FDI, the infrastructure and logistics has to be upgraded as most of the infrastructure is concentrated around the coast, primarily in ports. Thus, the next stage of investments (now that Ports and Airports have been operationalized) is to consider the development of Industrial and Professional Services clusters around the coastline or further inland. Such a move would almost certainly require different types of Hard Infrastructure development such as state-of-the-art warehouses and office buildings. It is important to note that, for example, the Salalah Free Zone took such a direction a few years back, investing in warehouses and office buildings, and the response from the market has been extremely positive.

5.2.1.4 “Social Infrastructure (Public Services) and (Public Healthcare)”: Moderately Good Scores

Public Services and Public Healthcare are still in their early stages of development in Oman. For example, in terms of Healthcare, the country has 88 hospitals, including 51 government hospitals. Although many are run by international service providers, and some of these healthcare facilities and programmes are also accessible to international investors and their employees, they have not yet reached the standards expected in terms of coverage of needs and perceived quality of delivery.

This is a Factor where both the literature is scarce and the participants did not expand on their explanations (or thinking). However, it is the experience and conviction of this researcher, based on observations of investments in Social Infrastructure made in the region (e.g. Dubai, UAE for a while now, and Riyadh, KSA as of recently) and thus the impact these investments have had on addressing Investors’ needs as well as perceptions, that this is a Factor where much attention ought to be directed in order to enhance Oman’s FDI Attraction performance.

Whilst the study has demonstrated that the below expectations “Social Infrastructure” has not overly penalized Oman FDI attraction efforts to date, it will become a deterrent in the not-so-distant future, once FDI attraction efforts, as part of the country’s economic diversification strategy, transcend the targeting of MNCs in the primary sector to attract a more eclectic group of investors with higher standard of living expectations.

Geography, Business Growth, and Hard and Social Infrastructure Factors: Conclusion

Based on the above discussion, the researcher will not place an emphasis on any improvement recommendation pertaining to the three Factors of “Geography”, “Business Growth”, and “Hard Infrastructure”, as it is believed that the relevant authorities are cognizant of these and that on-going efforts are doing what is required to address the critical gaps. However, “Social Infrastructure” is a Factor where the researcher feels that more actions, with a positive improvement in FDI Attraction, could be taken. These improvement recommendations are discussed in the next chapter.

5.2.2 Factors Deemed Relatively Very Strong: Corruption, and Overall Incentives

The study findings clearly ascertained that all stakeholder groups strongly believe that “Corruption” is not an issue in Oman and that the “Overall Incentives” that exist are positively perceived. Combined, they provide an initial assurance as to the attractiveness of the Business Environment in Oman. Equally, the literature review has returned an exhaustive list of arguments on the criticality of these two factors as well as the efforts that Oman has been taking to, on the one hand, combat corruption as per international best-practices, and, on the other, create an environment that is conducive to generating competitive incentives. As such, this study will not make any improvement recommendations regarding these two factors.

5.2.3 Factors Deemed Moderate: Ease of Doing Business, Cost of Doing Business, Ownership, Tax, Customs, Utility

The study has returned a clear view on the "Ease of Doing Business" and "Cost of Doing Business", which are two Factors that help evaluate the Business Environment. For instance, it reveals a less than favourable view overall and a heterogeneous view across the various stakeholder groups (see Chapter 4). Furthermore, closer examination of the "Ease of Doing Business" and "Cost of Doing Business", through an analysis of factors such as "Ownership", "Tax", "Customs", and "Utilities", shows a disparity of views across the six stakeholders groups and a less than favourable view overall. What follows are some of the arguments that substantiate this interpretation.

5.2.3.1 "Ease of Doing Business": Moderate Scores

Ease of Doing Business is considered one of the major challenges facing FDI Attraction efforts in Oman. For example, participants ID11, ID01 and ID04 argued that there are numerous barriers preventing investors from fully setting up their business in Oman; often in the form of bureaucracy, whether it is that of Government organisations or local stakeholders providing financial support to multinational companies or international companies that want to invest in Oman (Abdelbaky, 2021). The banking sector is not as open and does not have the same level of risk appetite as other countries in the region. This is an expressed sentiment that is contrary to what was found in the literature, notably in the Investment Climate Statement, 2020 and Central Bank of Oman, 2021 Reports in Section 2.3.2.13. However, participants argued that the Economic Zones have been successful in motivating MNCs wishing to enter a new market to engage in FDI, predominantly because of the locational and operational benefits, as foreign investors are provided with all the necessary infrastructure and superstructures needed to underpin their Omani investment and are attracted by the administrative and business support on offer. This in turn provides a context for the relatively strong scores on the "Ownership" Factor as the government of Oman offers MNCs 100% foreign ownership for those who establish in such Free Zones (i.e. the alternative to establishing the business on mainland exist and seems to have traction).

5.2.3.2 "Cost of Doing Business": Moderate Scores

Some of the respondents working at the MNCs in Oman identified that they enjoy a competitive advantage over local firms, including economies of scale, access to raw materials (e.g. costs of raw materials used by most of the MNCs were cheaper in Oman than the countries of origin), intangible assets such as patents and brands, and low transaction costs. This significantly influenced their decision to invest in Oman. Others have stated that export processing zones (EPZs) within Oman have a large positive impact on manufacturing FDI investments with regard to production setups and have facilitated international trade by lowering trade costs such as import duties and export taxes. This is consistent with the findings of studies by Davies and Desbordes (2018) as well as Graham and Lam (2003), as discussed in Section 2.3.2.13.

Ease of Doing Business, Cost of Doing Business, Ownership, Tax, Customs, Utility Factors: Conclusion

As described in Chapter 2, notably in Sections 2.3.2.6/7/8/9/10/13/14, there is a plethora of literature on the criticality of these factors, and thus the impact they have on FDI Attraction, as well as on what Oman has been doing on this front. Yet, it appears from the review of the scores and the participants' arguments that there is no consistent view and/or perception across stakeholder groups on the extent of the offering as well as its quality. In other words, whilst the already in motion FDI attraction efforts have resulted in strong Ease of Doing Business processes as well as quasi-competitive Cost of Doing Business in Oman, there seems to be a consensus that much more could be done in this area. This insight, combined with the insights on Policy and Regulations later on in this chapter, will form the basis for an improvement recommendation in the next chapter.

5.3 National Workforce

In this section, thirteen FDI Factors (from the list of 39 derived in Section 2.2 of Chapter 2) are reviewed. These are Overall Labour Quality, Labour Quality, Education, Knowledge, Skills, Language, Educational System (Schools), Educational System (Universities), Labour Regulations, Minimum Wage, Omanisation, Aptitude, and Attitude.

The review of the scores of the 30 participants (across the six stakeholder groups) on these thirteen Factors in Chapter 4 indicates that Oman needs to monitor more closely the evolution of the National Workforce to ensure that the sought-after benefits in this respect actually materialise. Some stakeholder groups expressed extremely pessimistic views of the National Workforce, far more pronounced than other stakeholder groups, which could potentially become an area of concern for Oman, a missed opportunity which presumably would also work against the aims of the Omanisation policy. More specifically, unless Factors 14 to 21 (i.e. Overall Labour Quality, Labour Quality, Education, Knowledge, Skills, Language, Educational System – Schools, Educational System – Universities) are addressed, this will inevitably become part of an overall structural problem in Oman which will negatively affect FDI Attraction performance. Factors 22 to 24 show that, thus far, the proactive nature of the Government is actually making matters worse rather than solving the problem. Finally, Factors 25 and 26 suggest that left unchecked, the system will produce a National Workforce that feels entitled, and hence is not fit-for-purpose. The rest of this section provides a context in which to interpret the participants' scores and thus input.

5.3.1 Factors Deemed Poor: Overall Labour Quality, Labour Quality, Education, Knowledge, Skills, Language, Educational System (Schools), Educational System (Universities)

The study has returned a clear view on these eight factors. For instance, all stakeholder groups were outspoken about the less than desirable "Overall Labour Quality" and "Labour Quality". Furthermore, their consistent views on all other six factors paints a picture of a National Workforce that is not equipped to compete in the job market, a direct result of a poor educational ecosystem (both Public Schools and Universities). As some participants put it, a main drawback of the National Workforce which is caused by less structured programmes on international exposure and the ability to work with different culture and people from different backgrounds. This inadequacy between labour quality (for all the cause-and-effect reasons) and job market needs will become a problem for Oman, as the country is not keen to promote the creation of low to semi-skilled jobs, focusing instead on jobs in the high end of semi-skilled to highly skilled range. The literature has a clear stance on this, highlighting the symbiotic relationship between available skills and investors' needs. In particular, studies by Sethi et al. (2003), Cieślik (2020), Zeng et al. (2013), as discussed in Section 2.3.2.2, explicitly asserted that the cultural disparity between the home and host nations substantially impacts MNCs' and FDI activities.

5.3.2 Factors Deemed Very Poor: Labour Regulations, Minimum Wage, and Omanisation

The study has returned a clear view on these three factors. Specifically, all stakeholder groups assert that the interventions in terms of "Labour Regulations", "Minimum Wage", and "Omanisation" are effectively rendering abstract the findings on the above eight factors and are probably exacerbating the situation by prescribing employment and remuneration that is not necessarily based on meritocracy and job performance.

Participants stated that bureaucracy with regards to labour in the form of rules, undue complexity, and unclear procedures, along with specific government requirements are some of the main challenges with regard to attracting FDI. For example, participants ID26, ID25 and ID17 argued that there are challenges in complying with the Omanisation percentages. This can be particularly true when companies are looking to hire certain types of expatriates with a particular specific expertise not found in Oman, and/or when companies make concerted efforts to hire Omanis but cannot find proper candidates. Participant ID17 agreed, arguing that Omanisation is effectively an obstacle put in place by the government that makes it extremely difficult for foreign experts to enter the country.

Again, the literature reviewed in Section 2.3.2.12 (e.g. Rao et al., 2011; Schrank, 2013; White, 1983; Bandelj, 2002; Holmes, 1998; Murphy, 2004) has been explicit about the role that the Governments play, which is to foster a more productive business environment, or how their interventions could (without it being the initial intent) make it worse. It also stipulated how closely investors monitor the legal framework to assess the current situation and possibly anticipate changes.

5.3.3 Factors Deemed Very Poor: Aptitude and Attitude

The study has elicited a clear view on these two factors. For example, while all stakeholder groups believe that "Aptitude" is not a structural issue as it can be addressed through proper interventions to upskill and form the National Workforce, they do perceive a real issue with "Attitude" as it relates to expectations of the National Workforce. Specifically, the Government focusing on interventions that forces an unqualified workforce onto employers rather than fixing the root of the problem might have created false expectations in the mind of the job seekers, perhaps even thwarting their openness to wanting to upskill.

National Workforce: Conclusion

All participants regrettably deplored the overall quality of the available workforce, particularly that of the National Workforce. The combination of a poor educational ecosystem and prescriptive (as opposed to reformist) Government policies has resulted in a National Workforce which, in the eyes of the participants, has the wrong attitude, in that it is one of entitlement rather than a genuine desire to develop. This is a critical area where improvement recommendations are needed, as discussed in the next chapter. These ought to focus less on the Educational Ecosystem per se (as this is possibly the remit for another study), and for true benefits to come about it is more of a mid to long term play. Instead, the improvement recommendations should focus on what can be done to remedy, as fast as possible, the upskilling of the existing, or soon to join, National Workforce.

5.4 Policy and Regulations

In this section, five FDI factors (from the list of 39 derived in Section 2.2 of Chapter 2) were reviewed. These are FDI Policy and Regulations, Transparency, Decision Making Stability, Government Efficiency, and Government Officials.

The review of the scores of the 30 participants (across the six stakeholder groups) on these five Factors in Chapter 4 reveals that while there is a real and concerted effort to improve matters, the execution is perhaps not as flawless and as fast as many in the business community would have hoped. Oman has a real opportunity here to improve its image and in doing so enhance its FDI inflows by address the highlighted challenges. For instance, Factors 27 and 31 (i.e. FDI Policy and Regulations and Government Officials) show that there is a recognition among the community of FDI stakeholders of the Government's efforts to move in the right direction, but as can be inferred from Factors 28, 29, and 30 (i.e. Transparency, Decision Making Stability, and Government Efficiency), the execution is poor. The rest of this section provides a context to interpret the participants' scores and thus input.

5.4.1 Factors Deemed Moderately Good: FDI Policy and Regulations and Government Officials

The study has generated a clear view on these two factors in that all stakeholder groups see and recognise the efforts that "Government Officials" are making to improve on the existing "FDI

Policy and Regulations". Below are some of the arguments employed to substantiate this interpretation.

In general, it is evident that the government may encourage or restrict FDI through unfavourable policies such as ownership restrictions, tax rates, and sanctions, or through favourable policies such as the provision of financial incentives and an attractive administrative and regulatory environment for investors. According to the responses of the participants, the Omani government, which is playing a central role in motivating international companies to invest in the country, has introduced policies and strategies to encourage long-term economic planning (much of which have already been captured in the literature review in Chapter 2, specifically in the second half of section 2.3.2.13).

Most of the respondents recounted that the majority of the MNCs were aware of the Omani market structure and the policy advantages they are likely to enjoy when they relocate or create mergers or operating their subsidiaries in Oman. Furthermore, the respondents noted that Oman has successfully attracted FDI due to policy changes and the establishment of institutions dedicated to attracting FDI.

For example, the primary agenda of The National Strategy for Economic Diversification's is to create alternative sources of economic development, more employment opportunities, and encourage a technological spillover that enhances the development of entrepreneurial practices within Oman.

Another example is the creation of Economic Free Zones in Sohar, Salalah, and Duqum to catalyze FDI in Oman in such a way as to enhance economic growth and the exchange of knowledge and skills. Economic Free Zones are often test beds for new policy reforms (e.g. legal and pricing policies) before being applied nationwide (as already captured in the literature review in Chapter 2).

This study has also argued that the new policies introduced in Oman were meant to create a strong capital base in the country. This has contributed significantly to the Oman economy, developing the financial markets which currently contribute to 20% of the country's GDP and industrial development, which accounts for 14%. Nevertheless, the banking sector within Oman is dominated by locally-owned firms, and is not as open as it should be to support MNCs that want to invest, most certainly because of capacity and capability limitations.

5.4.2 Factors Deemed Very Poor: Transparency, Decision Making Stability, Government Efficiency

The study elicited a clear view on these three factors, which is that all stakeholder groups perceive harshly the "Transparency", "Decision Making Stability", and thus "Government Efficiency" factors. Below are some of the arguments used to substantiate this interpretation.

Economic Development involves taking a set of decisions at the right time and that are of the right quality. Even more important, it is preferrable if a single authority exists (to the extent that is feasible and practical) to make these decisions, in order to better integrate feedback, coordinate the execution, and communicate across a broad audience. The findings of this study show that these either do not exist in Oman or are very poorly availed.

For instance, most of the participants agreed that the dominant perception is that there are no clear and coherent policies in Oman, and they are not functioning in the way they were designed. Participant ID11 stated that there is no single entity overseeing, or any single law for, FDI. Instead, the participant sees a decentralized and even fragmented approach that often results in contradictions. Participants ID08 and ID7 mentioned that policies cannot work in separation from each other, as this would limit their impact. This is echoed by Participant ID08, who goes so far as to state that FDI policies are not only poorly structured, but that in many instances they differ from sector to sector, even from one Economic Zone to another, when they ought to be highly similar. Participant ID03 gave an example of monetary policy led by the Central Bank, a Financial policy led by the Ministry of Finance and Commerce and Industry, and a labour policy led by the Ministry of Labour, arguing that these policies are not running in one direction because different entities have disparate interests. Other respondents were also quick to highlight that some policies instituted by the Omani Central Bank are inconsistent with those of other GCC countries.

Participants ID04, ID16, and ID25 highlighted that although many actions exist on paper, they are not implemented which limits their effect on the attraction of FDI into the country.

Other respondents (ID16; ID26) mentioned the continued existence of trade barriers that continue to make Oman unattractive to foreign investors. These prevent investors from establishing their businesses in Oman. Even if they decide on Oman as a destination, sometimes the bureaucracy, whether it is from government organisations or from local stakeholders, can act as a barrier.

Participants went on to add that one of the most challenging aspects of FDI Policies in Oman is their modification upon receiving investor suggestions. Participants ID23, ID17, and ID25 emphasised that this is mainly due to an extremely rigid bureaucracy in the government and civil service.

The process of changing any policy is too difficult, and extreme efforts are required to convince different parties. Such a challenge has had a direct impact on the motivation of the foreign investors and local businesses. Participant ID29 perhaps summarised this best when stating that the basis of all problems is legislation and that things tend to speed up once the legislation is in place and amended in accordance with the requirements of facilitating foreign investment procedures in the Sultanate.

Policy and Regulations: Conclusion

Therefore, overcoming such rigidities until effective policymaking is reached requires insider knowledge to identify the bottlenecks. As such, enhancing the policymaking process requires an overhaul of the policymaking system in the government and ensuring concerned stakeholders such as the investor and local businesses participate in the process. Therefore, a centralised and better-coordinated setup would be conducive to better, more transparent, and definitely more in-tune FDI and Economic Development policies. It would also enable a two-way communication channel with the various communities to promote better inclusiveness. This insight, combined with those on Ease and Cost of Doing Business earlier in this chapter, form the basis for an improvement recommendation in the next chapter (i.e. addressing the system and processes as well as the quality of the output).

5.5 FDI Impacts

In this section, eight FDI factors (from the list of 39 derived in Section 2.2 of Chapter 2) are reviewed. These are Overall Impact, Spillover, Employment, Human Capital Development, Overall Local Companies, Local Companies Opportunities, Local Companies Competition, and Local Companies Threat.

The review of the scores of the 30 participants (across the six stakeholder groups) on these five factors in Chapter 4 reveals that while there is an overall consensus that the FDI Impact is positive, perspectives as to the make-up of the FDI Impact were rather eclectic across the six stakeholder groups. With the exception of participants overwhelmingly agreeing that FDI is not a threat to local companies, the relative difference in scores across the other seven factors should not be taken lightly as it is a real measure of the subjective nature of FDI and what it entails. More specifically, Factors 32 and 33 (i.e. Overall Impact and Spillover) show progress as much as they show that there is significant room for further progress. Factors 34 and 35 (i.e. Employment and Human Capital Development) clearly demonstrate that at this early stage of economic development, FDI is creating jobs and providing on-the-job training opportunities, but that in itself does not deny the gaps identified under the National Workforce section. Factors 36 to 39 (i.e. Overall Local Companies, Local Companies Opportunities, Local Companies Competition, and Local Companies Threat) demonstrate that despite the encouraging results to date, the expected ripple effect has not yet achieved the required momentum. The rest of this section provides a context to interpret the participants' scores and thus input.

5.5.1 Factors Deemed Moderate: Overall Impact and Spillover

The study elicited a clear view on these two factors in that all stakeholder groups believe that the benefits still have some way to go, particularly when it comes to the technological spillover. Below are some of the arguments employed to substantiate this interpretation.

This study established that FDI has an overall positive effect on GDP and thus economic growth. Participants ID07, ID13, ID14 and ID28 highlighted that in recent years, the investments attracted by Oman across various sectors added value to the national economy and contributed to the overall GDP. Participants ID06, ID20 and ID22 also confirmed the positive impact of FDI on GDP. They believed that FDI empowers some sectors (e.g. industrial sector), and that by creating more opportunities it will contribute to more GDP growth. Moreover, participant ID18 stated that FDI contributes positively to GDP through XM trade (i.e. export–import trade). The same participant added that FDI contributes to the financial sector through the granting of loans and increased spending in local communities.

Participants also mentioned the significant development in the tourism sector and other industries such as the pharmaceutical industry, which has also contributed to the growth of GDP. For example, the pharmaceutical industry currently contributes to approximately 4 percent of the GDP, while the World Bank anticipates a 4% GDP growth in the coming years based on the Government FDI plans. With regard to the latter, the Investor (INV) Participants ID04, ID21 and ID26 felt that the FDI contribution to GDP will grow. Participants from the Free and Industrial

Zone (FIZ) stakeholder group confirmed the positive impact of the Government's policy of diversification of FDI. For example, Participant ID27 stated that in the Salalah Free Zone, although most of the GDP is controlled by the oil and gas sector, the government's diversification policy to move away from the dependency on hydrocarbon has attracted new investment in the tourism sector, medical and steel industries. It is expected that this diversification will contribute to 2% of the GDP in the coming few years.

By contrast, some of the Policy Maker participants argued that FDI has no positive impact on GDP. For example, Participants ID08 and ID17 clarified that Oman is an oil-based economy, relying very heavily on oil income. More than 70% of the Government's income is from oil and gas, and in most years, nearly 80% of exports are in the form of oil and gas. The contribution of oil and gas to GDP has been around 40% percent for a large number of years (clarifying that it has come down a bit now because the oil prices have fallen – as was the case at the time of the discussion).

It is evident that Oman's foreign earnings have significantly increased, and this has stabilized the Omani Rial through the active generation of income by foreign companies. The above discussion clearly demonstrates that it is no longer a question of whether FDI Attraction positively impacts the economy, but rather a discussion of how much of an impact it has and how much greater it could be.

In this study, it was also found that FDI brings more exposure, thereby attracting a mixture of technology and know-how. Normally, when FDI companies move to any host economy, they bring with them technology, know-how, and also quality and systems, all of which are greatly needed in the oil-producing countries. This is because the private sector tends to be weak in such countries because governments dominate economic activity, and are also the main job creators. As such, the findings from this study show that FDI can promote competition in the domestic input market and result in technology spillover into the national economy. This finding is consistent with those reported in the literature review in study by Lu, Tao, and Zhu, (2017) in Section 2.4.2.

Participants agreed that when an FDI company moves to a host economy, they bring with them technology, know-how, quality and systems, which are highly needed for different sectors in the country. According to this study, most respondents believe that FDI is beneficial to local firms, and has also led to the development of various technologies. Oman attracts foreign investment and, as a result, locals have an opportunity to learn from foreigners (e.g. Choi et al.; 2016 in section

2.4.2). Such technology is then transferred from their respective industries to other industries, which also encourages entrepreneurial development within Oman.

Over 50% of the participants clarified that technology transfers (e.g. Munteanu; 2015 in Section 2.4.2) by investors to Oman can significantly impact the country. This is because these MNCs transfer their knowledge or technological know-how to the Omani nationals they employ, resulting in a diffusion of knowledge once they leave the MNCs as they transfer such knowledge and experiences elsewhere. For example, Participant ID03 stated that 80% of Oman's FDI comes from only nine nations, taking into consideration that each country has different features and different technology. A broader FDI Attraction outreach programme would bring greater exposure and thus attract a larger mixture of technology and know-how. Furthermore, Participants ID04 and ID26 emphasised the importance of the technology imported to Oman and suggested that it should focus on developing the national workforce and also be provided with rapid improvement opportunities. They also highlighted the importance of know-how and technology for pharmaceutical manufacturing, as well as technology for medical devices.

Thus, the above discussion on Spillover clearly shows that there is still significant room for progress.

5.5.2 Factors Deemed Moderately Good: Employment and Human Capital Development

The study generated a clear view on these two factors in that all stakeholder groups were unanimous on the positive impact FDI has on job creation and talent development, albeit with room for improvement. This perhaps suggests that some see FDI as helping to deliver the human capital development that is not being initially developed by Oman's education system. Below are some of the arguments employed to substantiate this interpretation.

In terms of the impacts on the labour market, all participants noted that as a result of FDI, there is a positive impact on creating jobs in Oman. Participant ID17 stated that FDI created more new jobs and brought more earnings and hence investments and assets. There has been a significant change in the value of jobs created and earned revenues (Kurtishi-Kastrati, 2013). This study has revealed that the creation of employment for the local Omani people has resulted in significant economic benefits to individual households. Indeed, employment creation by multinational companies has increased consumer purchasing power and expanded the number of middle-class workers in the Oman economy, which has also improved the social impacts in the economy. Specifically, Participants ID23 and ID18 referred to a multinational polymer company which has significantly created employment opportunities for many skilled Omani workers and will continue to create more and different kinds of jobs for both skilled and unskilled Omani people as loaders and technicians. Participants ID07, ID10 and ID22 argued that by creating new jobs, new local people who are both skilled and nonskilled will receive income from the FDI in terms of salaries, and the lifestyle of those new employees and workers will be enhanced by spending their money in the country. The services and trade will then move forward and that will, to some extent, have an impact on the economy. Participant ID10 added that it will also lead to the development of educational and health facilities due to increased earnings. These views confirm a trend captured in the literature review.

Conversely, Participants ID27 and ID09 argued that the investments of large FDI projects are not usually very labour intensive and thus the size of labour impact depends on the type of the industry and the capability of the FDI attracted (Harvey and Abor, 2009). Participant ID28 denied the positive impact of FDI on jobs, stating that FDI contributes to only 10% of the total jobs. The participant went as far as to say that this 10% mostly comprises jobs for junior staff and those with mid to low skills (e.g. drivers, watchmen, public relation officers, secretaries). It was the participant's conviction that investors bring their own teams of expatriates, especially the top and middle management.

Participant ID28 disagreed with this argument, stating that any new project increases the opportunity to hire local employees and create more jobs. The same participant went on to say that Omanisation is currently at around 35% with most of the Omani employees working in FDI companies. Participant ID27 concurred, and stated that in the Salalah Free Zone thousands of jobs have been created by these FDI investments. This participant further argued that a top priority of government policy should be to increase these investments, which will reflect positively in the creation of jobs.

Thus, the employment and hiring of local people will be positively impacted by new FDI projects, and to some extent the size of the project, the type of the sector, and level of knowledge and skills needed are important factors to consider regarding the implementation of the Omanisation policy and evaluating FDI's contribution to the economy.

Offering another perspective. Participants ID15 and ID14 argued that the private sector tends to be weak in Oman and as a result the Government is the main employer. Therefore, FDI could help to develop employment in the private sector. Thus, job creation in the private sector has been one of the impacts of FDI in Oman.

The study also found that the FDI attracted into Oman contributes to human capital development and improves the ability to learn and transfer commitment and interpersonal skills. In addition, it revealed that FDI improves the overall quality of the Omani workforce in terms of scientific or technical knowledge and the general educational level. It should be noted, however, that this is probably the result of successful cases as opposed to a systemic output. Because of this, the researcher is keen to develop an appropriate improvement recommendation, which is discussed in the next chapter.

5.5.3 Factors Deemed Moderately Poor: Overall Local Companies, Local Companies Opportunities, Local Companies Competition, and Local Companies Threat

The study generated a clear view on these four factors, which is that all stakeholder groups believe that FDI has created opportunities for local companies, albeit without yet stimulating the right level of competition among local companies. They are also adamant that FDI does not present a threat to local companies. Below are some of the arguments used to substantiate this interpretation.

All participants shared the same point of view regarding the impact of FDI on domestic SMEs. They believed that FDI does not create any threat to domestic SMEs in Oman. Participants ID01, ID05, and ID07 argued that there is a positive impact of FDI on SMEs and that SMEs are sometimes created as a result of FDI being undertaken. Consequently, SME development can be a result of such investment. FDI creates jobs and opportunities for SMEs, and may help them to grow and win downstream projects. Participant ID09 added that when FDI is attracted, it can complement the small and medium enterprises in Oman by boosting entrepreneurship, exerting multiple effects and generating multiple benefits for the economy. FDI creates not only jobs but also an integrated ecosystem between investors and local companies.

Moreover, Participant ID06 argued that while SMEs are small, they could benefit from these conglomerates when they enter the country, because they will need active development and enhancement. There is a range of scale of businesses in every industry, such that even small ones are always required. Participant ID07 clarified this by stating that there are multiple roles in any given industry (e.g. even automobile manufacturers need SMEs to support them with smaller parts and smaller services).

Participant ID08 stated that in the Salalah Free Zone, some anchor projects and investments have created smaller and medium businesses for the Omanis and for local traders; the participant did not believe these are contradictory, but rather they work together, forming part of the economic stimulation.

The imitation effect and the movements of personnel trained by multinational firms also enhance the transfer of skills and knowledge within the local economy through a positive contagion effect. This involves multinational firm employees quitting their jobs for other entrepreneurial engagements, leading to knowledge and skill sharing. It also boosts the economy when such employees copy and adopt new management styles.

In conclusion, it is extremely clear from the point of view of all the participants that there is no threat to domestic SMEs in Oman. On the contrary, FDI creates jobs and opportunities for SMEs and may help them grow and win downstream projects by supplying or providing services to the FDI companies. Hence, there is a positive impact in this respect.

Nevertheless, this study has shown that locals remain skeptical about the roles played by larger MNCs, which they feel would acquire a larger percentage of the skilled workforce and possibly destroy other locally-owned SMEs. They feel that the Omani market is not as competitive as that of other GCC countries.

In other words, whilst FDI efforts to date have had a positive impact on local companies, affording them real opportunities (not threats), it has not yet created a sufficiently competitive environment, at least not to the level expected. Given the critical role SMEs play in any economy (contributing up to 60% to 70% of GDP), there needs to be a more concerted effort to create a dedicated track to better support SMEs. This is the focus for an improvement recommendation in the next chapter.

FDI Impact: Conclusion

Whilst FDI Impact in the form of GDP growth, Employment, and Human Capital Development will take time to attain the satisfactory momentum, the insights from this study clearly point to the role of SMEs as catalysts on this economic development journey. This will form the basis for a key improvement recommendation in the next chapter.

This chapter built on the findings in Chapter 4, and provided, in a structured and organised manner, an interpretation of the 30 participants' input (across the six stakeholder groups) on the 39 FDI Attraction and Impact Factors (across the four clusters). The intent (before proceeding to the formulation of the improvement recommendations in Chapter 6) was to assess which factors (or group thereof) merit the articulation of an improvement recommendation. Figure 43 recaps the discussion presented in Chapter 5.

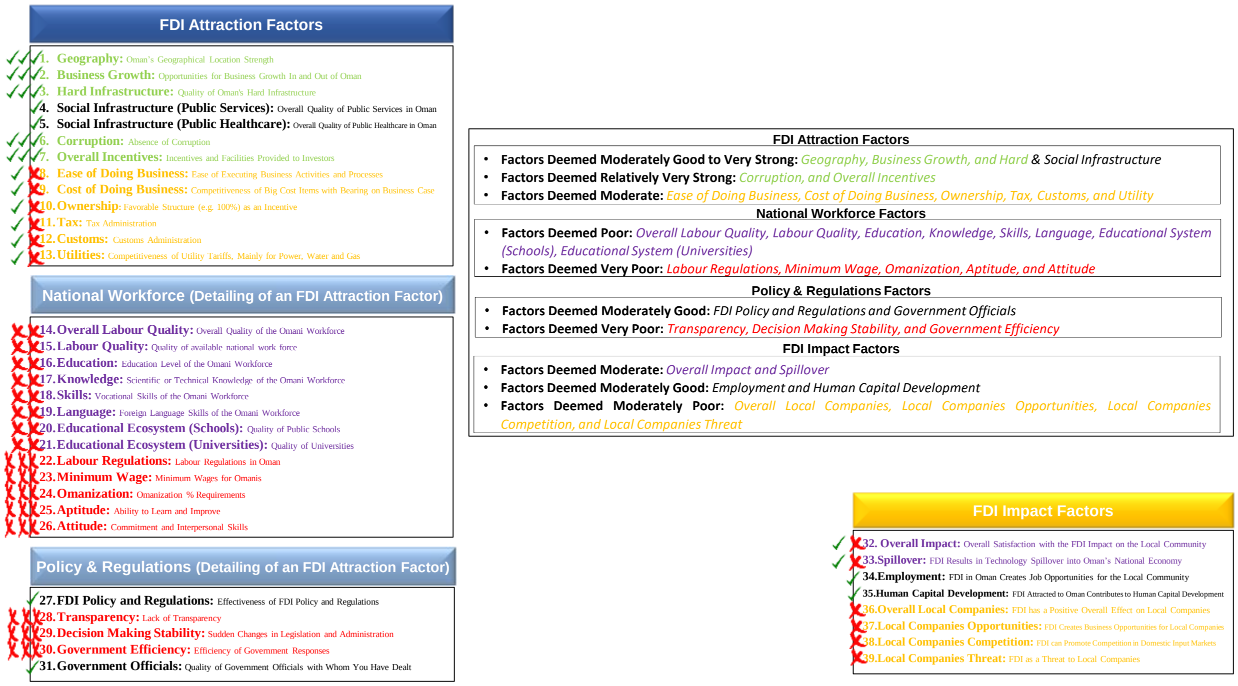

Figure 43: Interpreted Insights to Assess Areas of Improvement

5.6 Conclusion

The aim of this study, and thus the spirit in which the research was performed, was to focus on the few (rather than the many, to the extent of being generic and dilutive in nature) areas that could make a positive and significant improvement in FDI Attraction and Impact Performance. As a result, the chapter returned four areas of improvement which are be discussed in the next chapter in the following order: “Social Infrastructure”, “Economic Development Policies”, “Talent Development”, and “SMEs Ecosystem”.

Whilst the study has demonstrated that the below-expectations “Social Infrastructure” has not harmed the Oman FDI attraction efforts to date, it will become a deterrent in the not-so-distant future, once FDI attraction efforts, as part of the country’s economic diversification strategy, transcend the targeting of MNCs in the primary sector to attract a more eclectic group of investors with higher standard of living expectations.

Although the already in-motion FDI attraction efforts have resulted in good Ease of Doing Business processes as well as a quasi-competitive Cost of Doing Business, there seems to be a consensus that these could be improved upon, and that the enabler of this is a more efficient Government. To achieve this, a centralized and better coordinated setup would be conducive to better, more transparent, and definitely more in-tune FDI and "Economic Development Policies". It would also enable a two-way communication channel with the various communities to ensure better inclusiveness.

Whilst all participants agreed that FDI efforts to date have created employment and to an extent helped develop human capital (albeit very limited in scope, and very much to specific on-the-job training cases), all regrettably deplored the overall quality of the available workforce, particularly that of the National Workforce. The combination of a poor educational ecosystem and prescriptive (as opposed to reformist) Government policies has resulted in a National Workforce which, in the eyes of the participants, has an attitude of entitlement rather than a genuine desire to develop itself. Unfortunately, there is no magic wand to address this issue, hence creative measures need to be put in place to accelerate "Talent Development".

Although FDI efforts to date have had a positive impact on local companies, affording them real opportunities (not threats), it has not yet created a sufficiently competitive environment, at least not to the level expected. There needs to be a more concerted effort to create a dedicated track to better support "SMEs Ecosystem".

Chapter 6 presents a detailed discussion of the improvement recommendations in the above mentioned four areas.

Chapter 6: Research Recommendations

6.1 Introduction

By working methodically, this study has created clarity regarding the main research question set out in Chapter 1, namely FDI Attraction and Impact performance in Oman. Chapter 2 returned a set of robust 39 FDI factors across four clusters (derived from the exhaustive literature review) to form the basis through which to solicit FDI stakeholders' input. Chapter 4 presented an assessment of the 39 FDI factors within and across stakeholder groups. This comparative analysis of the results allowed the researcher to identify where a consensus was realised and to form a basis for interpretation from triangulation in cases where there was a disparity of views. Chapter 5 assessed which factors (or group thereof) merited the articulation of an improvement recommendation that could yield a positive and significant improvement in FDI Attraction and Impact Performance. This returned four areas of improvement: "Social Infrastructure", "Economic Development Policies", "Talent Development", and "SMEs Ecosystem". In this chapter, the improvement recommendations are articulated.

This chapter is subdivided into two sections. The first expresses the researcher's view on the possible limitations of the studies, which do not affect the recommendations but could be addressed in future studies. The second articulates the recommendations that have emerged from this study, which the researcher hopes will be received by the broader community of stakeholders as an intention to help Oman continue its already remarkable economic development journey.

6.2 Limitations of the Study and Recommendations for Further Research

It is appropriate to discuss first the evident limitations of this study before embarking on the articulation of the recommendations that have been legitimately derived from the insights gained in this study. Their acknowledgement can serve as the departing point for future potential studies, and thus hopefully the articulation of future recommendations that will further enhance the FDI Attraction, Retention, and Growth in Oman. To that end, there are four limitations to address: (i) Study Sample Size, (ii) Study Participants' Profiles, (iii) Study Data Collection Method, and (iv) Relative Comparison.

The sample size for this study was relatively small, with only 30 participants across six stakeholder groups. Although this was statistically sufficient to infer conclusions (as discussed in Chapter 3), a larger sample, with additional knowledgeable and experienced respondents, would have furnished more empirical evidence and/or arguments to substantiate the claims made. Such a limitation is more the fruit of the limited means available to the researcher as well as unfortunate timing (i.e. COVID 19) than an oversight.

Perhaps equally as important is the profile of the participants. Indeed, factors such as their educational levels, work experience with foreign companies, among others would ensure more fact based and less emotional perspectives. This would further enrich the quality of the insights and findings and thus the credibility of the recommendations. This study has, however, ensured that such noise and/or biases have been filtered out.

Questionnaires were used to collect the data, as described in Chapter 3. However, due to the movement restrictions and guidelines put in place as a result of COVID 19, fewer respondents than anticipated could be reached, affecting the quality and accuracy of the information provided. For instance, participants could have had difficulties understanding and/or properly interpreting the essence of the question, sometimes due to language barriers as well as limited experience and/or knowledge, leading to an inaccurate answer. Secondly, the lack of interaction with respondents removed the possibility to probe their answers to ensure that context as well as relevance was established. If this study could have used other methods of data collection such as observations, this would have facilitated the gathering of real information on observable features (e.g. the level of infrastructural development). Moreover, developing robust data collection systems, key performance indicators, and workflow systems within the Free Zones would have enhanced the quality and quantity of the data, which in turn would have enhanced the quality of the research in terms of evaluating the effectiveness of FDI policies.

This research was limited to Oman, a small country in the Arabian Peninsula, with a small population of over 5 million people. Consequently, the results may not be comparable with other GCC countries, or countries with larger populations. With such a small population, Oman may not conclusively offer, for example, the skilled labour force required by MNCs, an aspect on which, as described in Chapters 4 and 5, the participants of all stakeholder groups expressed harsh perspectives.

6.3 Study Improvement Recommendations

Overall, the study has provided strong insights that enabled the researcher to articulate improvement recommendations addressing a wide range of policy areas aimed at improving FDI attraction and/or FDI impacts.

All participants agreed that the core prerequisites of successful FDI attraction efforts are in place. Indeed, it is undeniable that the geographic location of Oman is quite strategic, enabling excellent local, regional, and global market access, fueling significant business growth potential. To help realise this potential, the Government of Oman has been making all the relevant investments in the required Hard Infrastructure. As such, the study has established that FDI has had a positive impact on the economic development of Oman. Figure 44 summarizes these impacts, as discussed in Chapter 5.

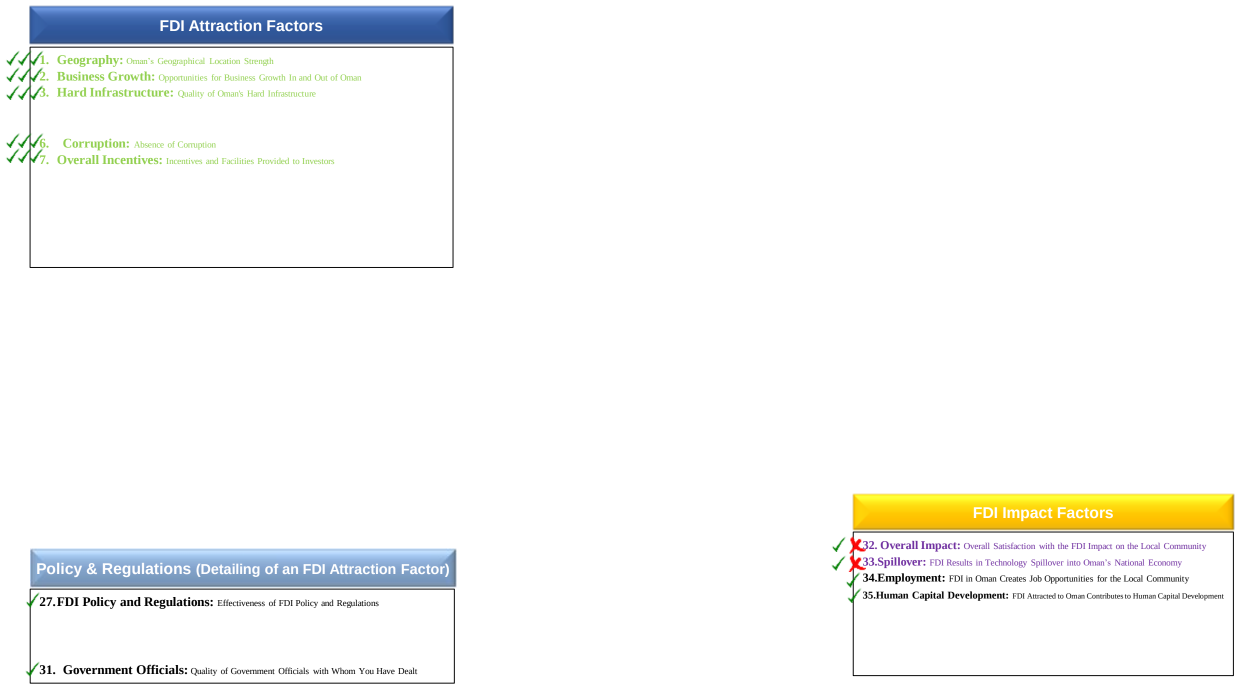

Figure 44: FDI Factors Deemed Moderate, Moderately Good, and Very Strong

However, the study also shed light on four areas of improvement that vary in degrees of complexity and ease of implementation, which would enhance FDI efforts and thus be a catalyst for the economic development efforts of the country. These are (i) Social Infrastructure, (ii) Economic Development Policies, (iii) Talent Development, and (iv) SMEs Ecosystem.

6.3.1 Social Infrastructure

Social Infrastructure (Public Services) and (Public Healthcare) are FDI Attraction Factors that are deemed as being Moderately Good. Despite this, this researcher strongly believes that these two factors would benefit from the improvement recommendations depicted in Figure 45 and discussed thereafter.

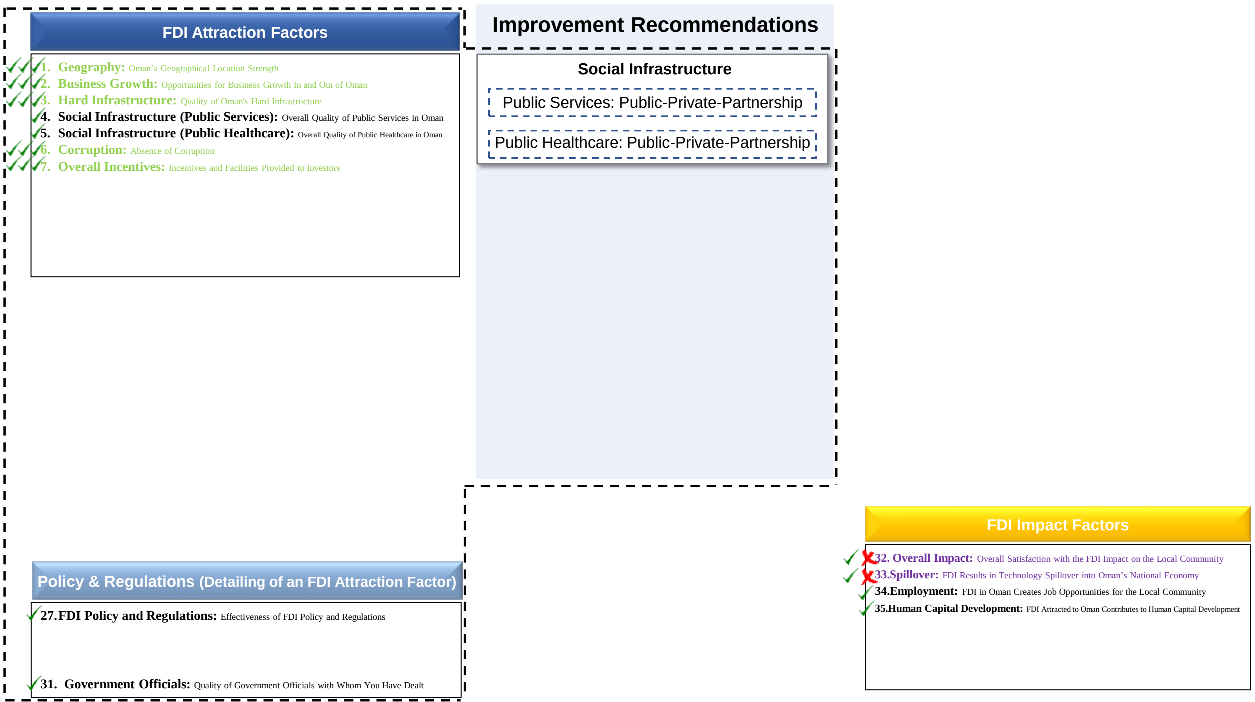

Figure 45: Social Infrastructure Improvement Recommendations

Whilst the study has demonstrated that the below expectations Social Infrastructure has not overly penalized FDI attraction efforts to date, it will become a deterrent in the not-so-distant future, once FDI attraction efforts, as part of the country's economic diversification strategy, transcend the targeting of MNCs in the primary sector to attract a more eclectic group of investors with higher standard of living expectations. This researcher recommends, for instance, that the following considerations be seriously addressed:

- Social Infrastructure (Public Services) – Public Services have a material bearing on quality of life. Despite the continued efforts of Oman to improve Public Services, the current offering is still the below expected standards and not on a par with competitive FDI destinations in the GCC. What seems to have worked quite well in the GCC (i.e. alleviating the funding burden while simultaneously ensuring good quality of service and price competitiveness) is Public Private Partnerships (PPP). The recommendation is a revisit of the current setup across all services in an effort to elevate the concerned Government entities into the role of a regulator (with all this entails in terms of qualified capabilities) and to structure the outsourcing of the operations to the private sector. The recommendation is to start with a few select areas of focus (Healthcare below is one such area, but Waste Management and Energy could be others) to develop successful precedents and Champions able to carry the “torch” across all other relevant areas.

- Social Infrastructure (Public Healthcare) – Healthcare has been the subject of numerous debates and research; particularly the roles that the public and private sectors should play in improving the quality of service while at the same time enhancing healthcare outcomes, albeit while considering all financial aspects that such undertakings require. One area of consideration ought to be the rather successful push for private sector participation in the provision of primary healthcare services with limited secondary and tertiary care interventions. This has the merits of tackling a real problem while significantly improving the perceptions of such services in the eyes of the wider investor community.

6.3.2 Economic Development Policies

A number of FDI Factors deemed Moderate (i.e. Ease of Doing Business, Cost of Doing Business, Ownership, Tax, Customs, and Utility) as well as FDI Factors deemed Very Poor (i.e. Transparency, Decision Making Stability, and Government Efficiency) collectively point to the need to develop improvement recommendations for Economic Development Policies, as depicted in Figure 46 and discussed thereafter.

Whilst the already in motion FDI attraction efforts have resulted in good Ease of Doing Business processes as well as a quasi-competitive Cost of Doing Business, there appears to be a consensus that these could be improved upon, and that the enabler of this is a more efficient Government. In particular, a centralised and better-coordinated setup would be conducive to better, more transparent, and definitely more in-tune FDI and Economic Development policies. It would also enable a two-way communication channel with the various communities to promote better inclusiveness. This researcher recommends, for instance, that the following considerations be seriously addressed:

- Reinforce the role of a central policy making body (to ensure a better holistic view and better coordination of execution), much like a private sector incubator, and establish “Policy Development and Execution Fast Tracks” starting in the “low hanging fruits areas”, such as issuing of licenses and permits and allocation of utilities.

- Mandate the Central Bank to create an ecosystem conducive for competitive FDI attraction (e.g. ease access to funding to capital intensive investments) and accompany investors in their growth projects.
- Activate reliable data and information centres to provide MNCs with accurate statistics and data about key economic indicators to support their decision making.

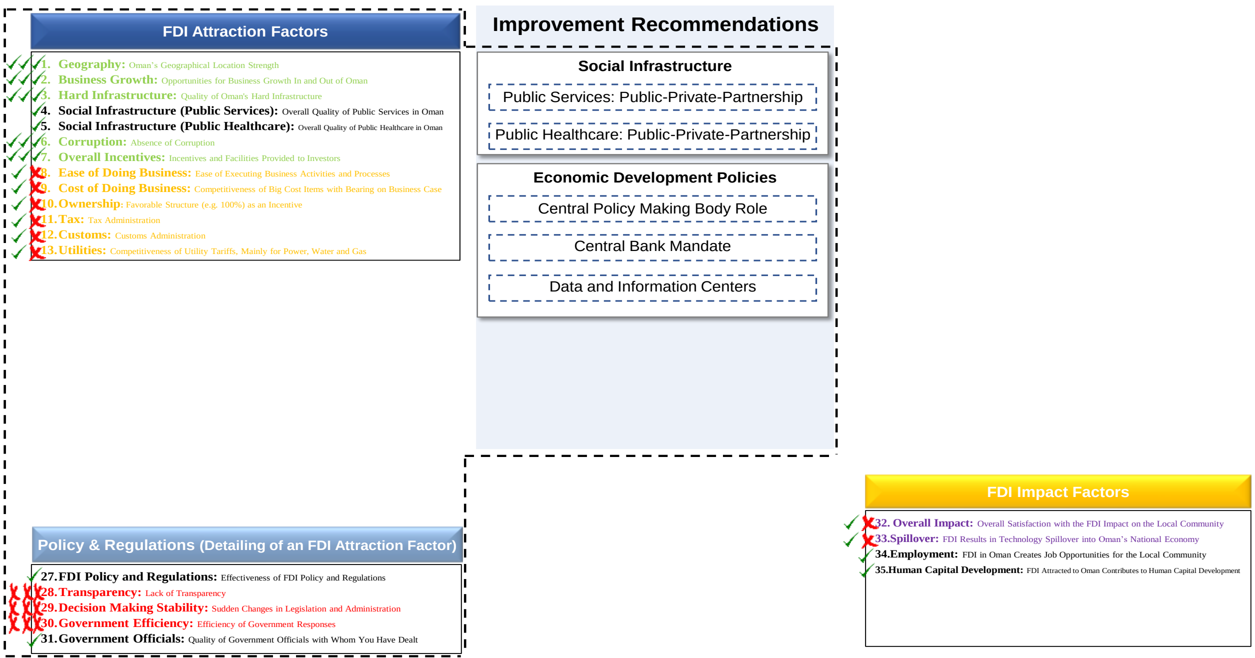

Figure 46: Economic Development Policies Improvement Recommendations

6.3.3 Talent Development

To complete the articulation of improvement recommendations pertaining to FDI Attraction Factors, it was deemed necessary to tackle Talent Development, particularly in light of how Factors under the National Workforce cluster were deemed Poor as well as Very Poor, as discussed below and depicted in Figure 47.

Whilst all participants agreed that FDI efforts to date have created employment and to an extent helped develop human capital (albeit very limited in scope, and very much to specific on-the-job training cases), they regrettably deplored the overall quality of the available workforce, particularly that of the National Workforce. The combination of a poor educational ecosystem and prescriptive (as opposed to reformist) Government policies has resulted in a National Workforce which, in the eyes of the participants, has an attitude of entitlement rather than a genuine desire to develop. Unfortunately, there is no magic wand to address this issue, hence creative measures need to be put in place to accelerate the traction. This researcher recommends, for instance, that the following considerations be seriously addressed:

- Create and fund private vocational training centres (both technical and managerial) to accelerate the apprenticeship of a "filtered" National Workforce (i.e. with the aptitude and the attitude) to accompany the investors in satisfactorily closing their workforce gaps
- Offer to subsidise (for a limited period e.g. two to three years) the salaries of Omani employees (those that would have come out of the above mentioned vocational centres) to fast-track their onboarding by investors and continue their accelerated development through on-the-job training

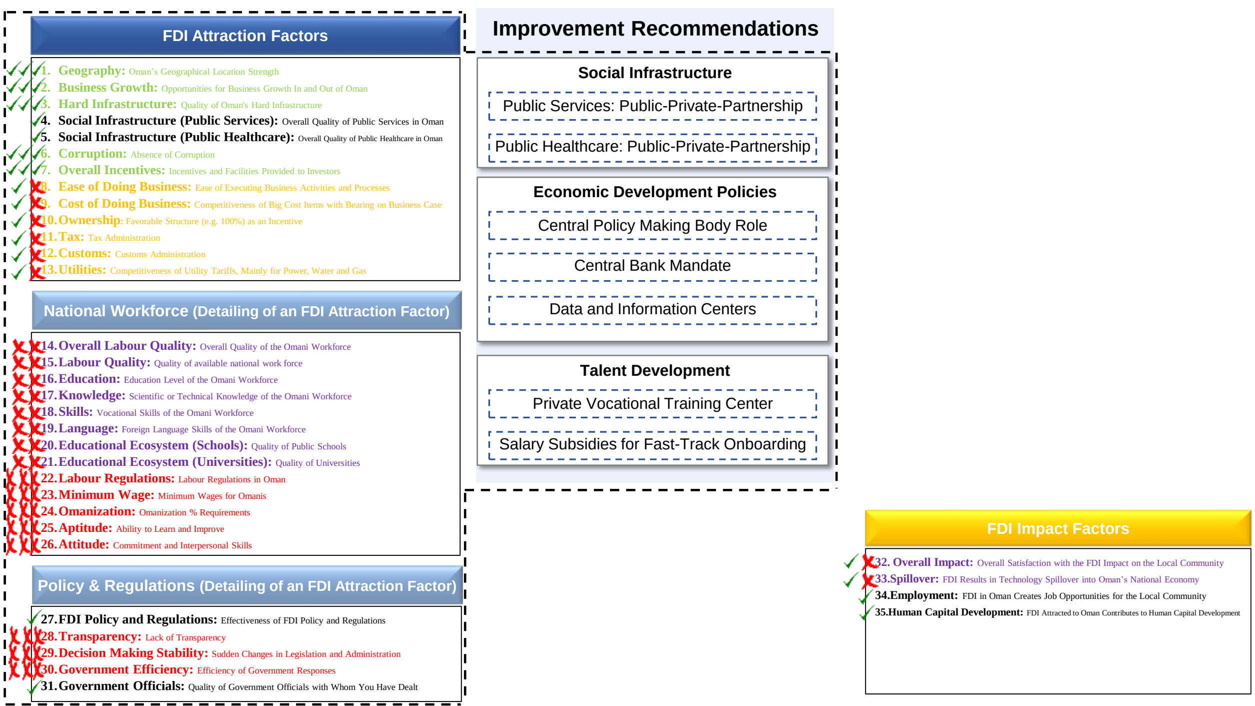

Figure 47: Talent Development Improvement Recommendations

6.3.4 SMEs Ecosystem

Finally, based on the fact that the four FDI Impact Factors Overall Local Companies, Local Companies Opportunities, Local Companies Competition, and Local Companies Threat were deemed Moderately Poor, it was considered necessary to articulate an improvement recommendation that pertains to the creation of an SMEs Ecosystem, as depicted in Figure 48 and discussed thereafter.

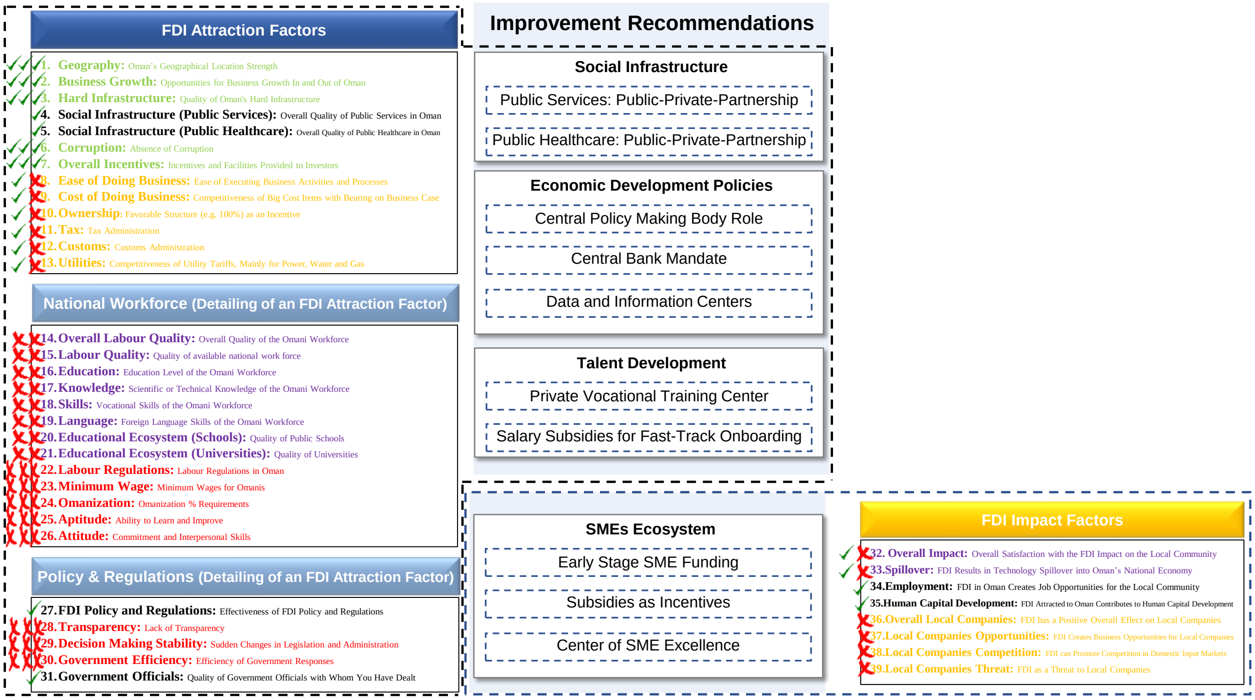

Figure 48: SMEs Ecosystem Improvement Recommendations

Whilst FDI efforts to date have had a positive impact on local companies, affording them real opportunities (not threats), it has not yet created a sufficiently competitive environment, at least not to the level expected. Given the critical role SMEs play in any economy (contributing up to 60%-70% of GDP), there needs to be a more concerted effort to create a dedicated track to better support SMEs. This researcher recommends, for instance, that the following considerations be seriously addressed:

- Create a dedicated fund for "early stage" SME funding (e.g. venture capitalist) to encourage Entrepreneurship among those with good and creative ideas who would otherwise be discouraged by bureaucratic efforts
- Create Government incentives in the form of subsidies to promote MNC and SME collaboration (e.g. MNCs receive a percent rebate on fees and charges against a volume of business contracted with local SMEs)
- Establish a Centre for Excellence for reliable SMEs to support the offerings of MNCs. In addition to being a "census" Centre (e.g. database of SMEs specialties), it should also be a go-in-between channel (e.g. support collaboration and cooperation on business deals) to help accelerate the sought after "Spillover" and "Economic Development Catalyst"

The above improvement recommendations are borne out of the researcher's strong conviction that they would address a real challenge, and that doing so would contribute to improving the FDI Attraction and Impact efforts of Oman. The researcher also believes that in a constrained world (e.g. limited resources, be it financial and/or human capabilities; competing priorities) not all of the above improvement recommendations could be put on an equal footing. Therefore, if prioritisation is required, Figure 49 depicts how the improvement recommendations would rank on a priority scale (where 1 is low and 10 is high).

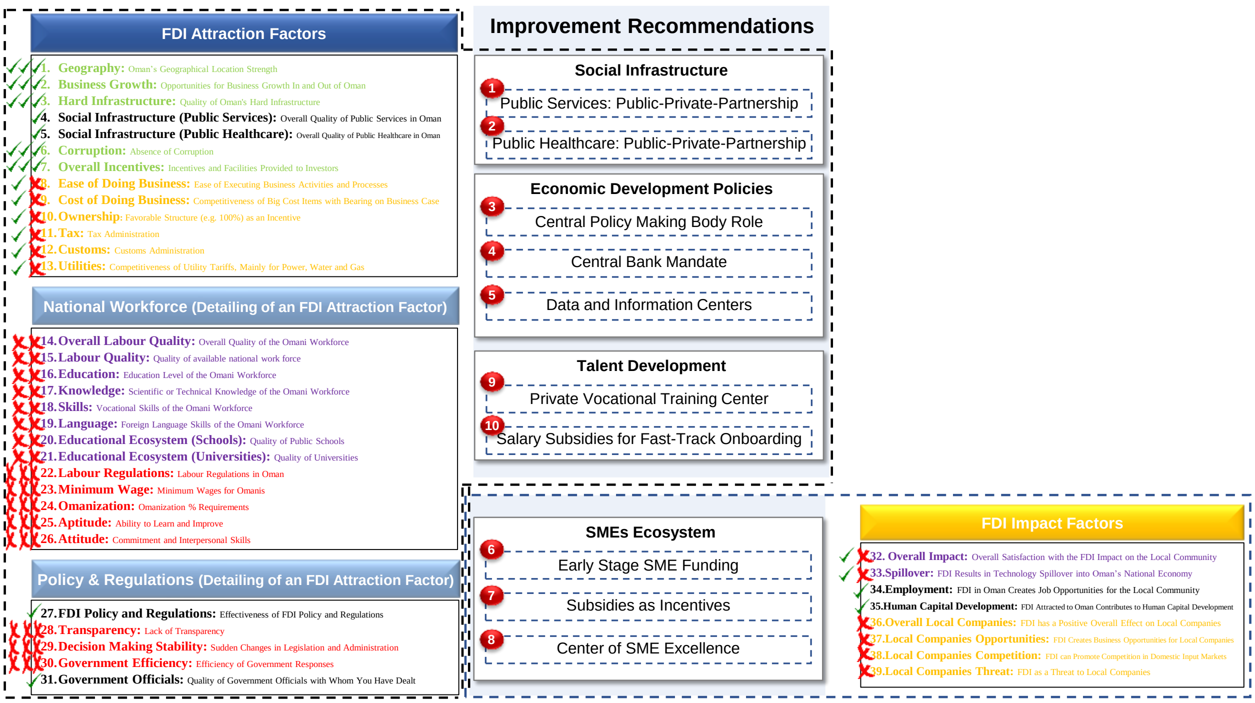

Figure 49: Improvement Recommendations Prioritization

This prioritisation is balanced in that it (i) addresses head-on areas with the most evident gaps on both FDI Attraction and Impact sides, (ii) creates tangible and standalone initiatives that complement (i.e. they are not competing and/or overlapping) other on-going efforts, and (iii) fosters an environment of exchange and dialogue across all concerned stakeholders.

6.4 Conclusion

This chapter has built on the findings of the previous chapters to articulate improvement recommendations. In total, ten improvement recommendations have been formulated and prioritised across the four clusters. These are:

- Encourage Possible Public-Private-Partnership (PPP) models to enhance the scope and quality of delivery of Public Services and Public Healthcare under "Social Infrastructure"
- Reinforce the role of a central Policy making body, mandate the Central Bank to create an ecosystem that is conducive for competitive FDI attraction, and activate reliable data and information centres, all under "Economic Development Policies"
- Create and fund private vocational training centres, and offer to subsidise the salaries of Omani employees to fast-track their onboarding by investors and continue their accelerated development through on-the-job training, all under "Talent Development"
- Create a dedicated fund for "early stage" SME funding, devise government incentives in the form of subsidies to promote MNC and SME collaboration, and establish a Centre for Excellence for reliable SMEs to support the offering of MNCs, all under "SMEs Ecosystem"

Upon successful completion of this thesis, the researcher will seek to develop and implement as many of these as is possible, following the prioritised 'pecking order' described in this chapter.

The next chapter outlines the contributions and impact of this research with respect to the various groups concerned.

Chapter 7: Research Impact

7.1 Introduction

Successful studies exert various impacts on the researcher, the organisation, and the local community (Costa and Pesci, 2016).

In this context, the researcher has undoubtedly advanced his knowledge and carrier development, while his organisation, the Salalah Free Zone Company, has benefited from his insights, as will the broader community (i.e. Citizens; National Workforce; Businesses) once the improvement recommendations of this study are acted upon by the relevant stakeholders. Figure 50 below highlights the expected impact on the researcher, the organisation, and the community.

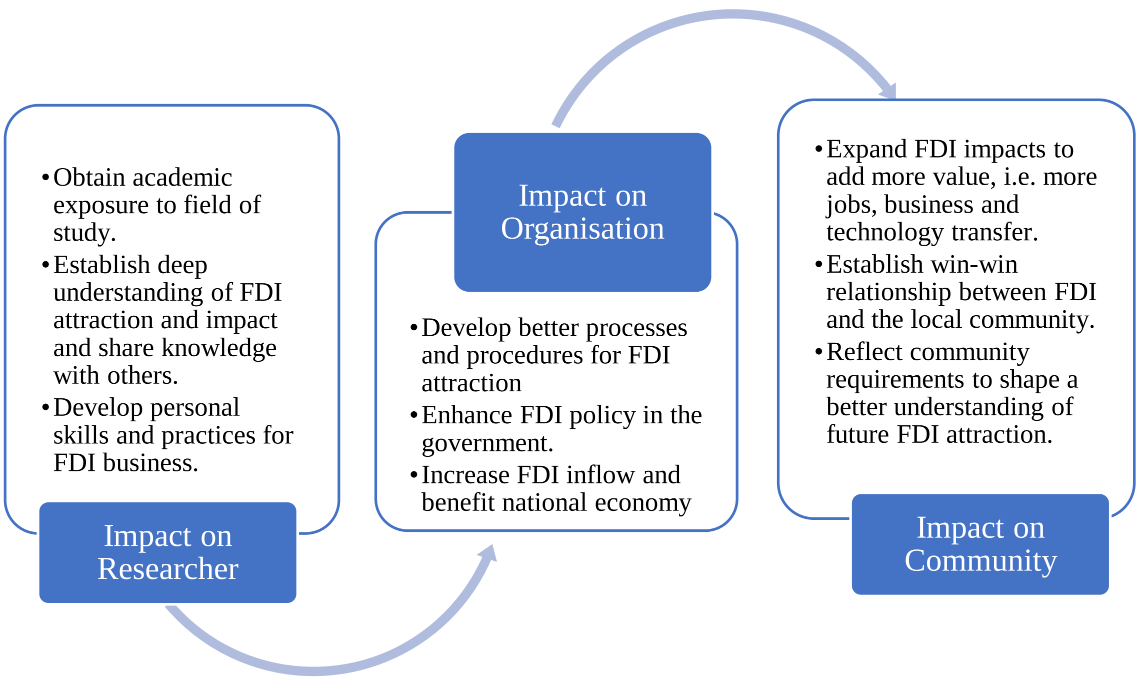

Figure 50: Research Impact

This Chapter describes in detail the impact on each of the three concerned stakeholders.

7.2 Impact On The Researcher

7.2.1 Overall Impact

Through this study, the researcher has interacted extensively with members of various Boards of Directors as well as Chief Executive Officers. Moreover, the researcher has interacted with academic leaders, policymakers, and government officials, among others.

The first noticeable change in the researcher is the shift from an experienced practitioner to a knowledge practitioner. Van de Ven (2007) refers to this as filling the theory-practice gap. Learning to stop acting, starting to think, and challenging what we think of and do, were the first personal practice challenges. The researcher describes these as a conflict between a stored wealth of knowledge supported by proven experience and, conversely, looking to challenge that wealth of experience and consider different points of view, supported by theories and the literature.

On a personal level, one of the most important changes the researcher noticed is that he started "reading", striving to acquire more knowledge, and exploring different knowledge sources. He also stopped allowing his initial intake of information, and his first impressions of every topic and concept he encountered, to mislead him. Moreover, he discovered that some information, whether a fact or a way of thinking, had more than one explanation. As such, seeking to find out more, seeing others' perspectives, and noting what theories and scientific evidence had to say about a particular subject, increased the value of his contribution.

On a professional level, the key change was related to enhancing the quality of his working practices and work output. He started taking a step back from every business issue he faced and tried to find out what had been done by others, and to employ theory and the latest knowledge to reflect on the subjects he explored. For the past two years, his thinking system has shifted from being fully engaged as an experience-based practitioner to the assimilation of academic practices he was considering as facts or truth. He started challenging them, and strived to delve into, and research, what others thought about these aspects. For example, conducting a literature review helped him enormously in dealing with the context of his working environment in terms of FDI theories and the logic underpinning what he was doing every day at work.

In addition, when he started collecting data and interacting with stakeholders to find answers to his research questions, he gained a certain knowledge momentum that helped him understand and arrive at the proper decisions that would enable him, his organisation, and his country, to obtain better results. Specifically, he wished to engage in work that helped him attract more FDI to Oman, and to generate the maximum possible impact on local and business communities in the form of more jobs, more business, and a higher contribution to Oman's GDP.

DBA is a challenging journey offering an invaluable experience. His university, the course instructors, and the research supervisors have helped him overcome the challenges of meeting the programme requirements. Their trust and support have motivated him and given him the willpower to continue working and learning.

7.2.2 Personal Development Plan

During the unfolding of the study, the researcher developed skills and gained knowledge that inspired him to decide on his future career path. The research journey changed his thoughts about reality and how to interact with facts and information. He also improved his views and impressions about his domain of work in relation to FDI and free zones. For example, his impression of FDI and free zones was not governed by any FDI theories and not connected to any empirical studies or research: it was based on experiences gained via interactions with FDI and free zone actors and materials.

The newly developed skills helped to add value to his work in the free zone and improved his writing skills so that he was able to present his thoughts in a logical manner. In the past, his company hired consultants to help solve business matters, whereas now, through his research knowledge and developed skills, he can solve these business issues at zero expense.

His team also noticed the difference as he has developed many processes and procedures to increase performance and efficiency. For example, one of the main changes relates to business communication. He developed what he calls an Executive Management Committee to supervise and monitor company performance on a weekly basis. The outcome of this committee in 2021 was 620 decisions, all executed.

i. Developed Skills

During the process of conducting this research, the researcher developed an academic competence and ability to collect, analyse, and understand new information and ideas and extract justified knowledge out of such information. As result, he developed an academic mindset and strong writing skills. The process of dealing with information and communicating his research with others also facilitated the development of good communication skills. He developed the ability to express and organise his thoughts and ideas and communicate them in a meaningful way. For example, his reports in the company improved substantially due to the adaptation of his academic writing skills. He started supporting his ideas and thoughts with reliable and logical quotes and references.

His thinking ability lifted him to a higher level wherein he developed the ability to employ critical and logical thinking in dealing with facts and information, and he stopped being taken for granted in business matters. The research journey allowed him to take ownership and work with minimal academic supervision, resulting in the development of high level of accountability. His research requirements shaped his commitment to stay focused, dealing with circumstances in a professional way to complete his degree, as a consequence of which he develop greater persistence and commitment.

ii. Gained Knowledge

In terms of knowledge, he acquired the ability to understand how reality is structured and how to deal with information. He also gained the knowledge to ethically conduct the research, and collect and present data and information. The ability to analyse and evaluate findings using appropriate methods and research methodologies facilitated the accumulation of research knowledge. Gaining new knowledge in the research field created the opportunities to improve his work, adding value to his organisation by formulating new business opportunities.

He found that one of the most stimulating areas of knowledge was connected to FDI theories. He can now understand the knowledge connected with FDI Attractions and Impacts, and other academic views on this topic. In the future, this will enable him to reflect on his work by improving the quality of his deliverables and business results. For example, the OLI paradigm supported his understanding of the motivations of MNCs when selecting a host country for their business.

He also acquired the skills to record, manage, and handle information and data using appropriate bibliographic advance software and other data and information management technologies. Such knowledge enabled him to design and develop questionnaires and surveys and use them to ascertain the reality underpinning investigated issues. For example, he developed questionnaires and used digital surveys to elicit foreign investors’ views on some of his free zone services and the quality of products.

iii. Intended Career Path

The research journey organised and structured his 24 years of working experiences so that he was more logical and critical with respect to both himself and others. The five-year journey spent interacting with academia and academics shaped his experiences so that they could be presented to others in a scientific manner. They also equipped him to adopt best procedures in practicing knowledge and gain experience in what constitutes high standards and quality. He strongly believes that from now onwards, all his newly gained experience will be governed by academic standards and supported with logical and critical facts and data.

Taking into consideration the wealth of skills and knowledge he has gained from his research project, and after reviewing alternative options such as continuing as the Free Zone Chief Executive Officer or joining an investment holding group to be a group CEO, he has decided, after his DBA graduation, to become a consultant for Free Zones establishments and for the government of Oman. He aspires to allocate his time and resources for knowledge advancement in the field of free zones operations and the FDI business domain in Oman. Due to this decision, his role will largely cover FDI in Oman rather than limiting him to a specific organisation.

He intends to share his knowledge in the field of free zones and FDI attractions and impacts by publishing articles in national and international journals; allocating 15 days per year to students and community knowledge initiatives; helping local community institutions to gain knowledge about FDI and free zones in Oman; reaching a wider audience; conducting TV and radio interviews 2-3 times a year; and publishing his thesis as a book to be used as a reference for researchers on Oman FDI.

7.3 Impact On The Researcher’s Organisation

The impact on the researcher’s organisation (i.e. the “Salalah Free Zone”) is expected to be positive and should include processes and procedures, the enhancement of applicable policy, and FDI benefits to the national economy. As the second-in-command, the researcher has started to adopt a knowledge transfer working philosophy by creating teams working on specific assignments he has assigned to them. Those teams have been formally established to challenge, manage, monitor, and record the outputs of his DBA outcomes. For example, with regard to FDI attraction, the team adopted the research outputs and findings with regard to FDI attraction aspects. Regarding FDI impacts, government and public relations employees will deal with knowledge and research outputs in the form of FDI benefits and challenges as they affect local and business communities.

7.4 Impact On The Community

The researcher works in the FDI industry in Oman. During the research process, the researcher identified both the benefits and challenges associated with FDI that affect the local and business communities in Oman. These exist because the government of Oman established laws relating to foreign investors and created four Free Zones in Oman. There is a general perception that FDI creates value added to the local community in the form of jobs, technology, and know-how. However, no standard setup takes care of community and FDI integration in order to establish a win-win relationship. The aims of such a setup would be as follows: (i) fill the gap between FDI and the local and business community in Oman, (ii) formally identify the FDI impacts (positive or negative) on the local and business community in Oman, and (iii) create a systematic approach for the integration of FDI and the local community that creates value addition for both parties. These will be addressed through the improvement recommendations presented in Chapter 6.

7.5 Measuring Expected Impacts

An essential stage of the proposed impact plan is to set up logical and practical measures to determine whether the expected impacts are achieved, and what hidden elements affect the achievement of the desired impact.

Lavis et al. (2003) state that the impact of research can be measured and categorised according to its role in determining the nature of the research adopted. Table 10 explains the proposed approach for measuring FDI impact in different domains and categories.

Measuring FDI Impact			
Domain Measures (who)	***Measure Area (where)***	***Measure Type (how)***	***Measure Source (what)***
Researcher	Knowledge and skills	Progress in personal and professional domains	Yearly performance report
	Development of working practices	The volume of developed FDI practices	Number of approved practices in the workplace
Organisation	Rules and regulations	The volume of changes to and implementation of the rules and regulations	Operating manual and procedures in the workplace
	FDI Policy	Changes in current FDI policy	Documented input on national policies for FDI policy.
Community	Jobs and businesses	Number of jobs created	Published government reports
	FDI relationship	No joint efforts between FDI stakeholders	Outcomes from joint committees involving FDI and government authorities

Table 10: Measuring FDI Impact

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Appendices

Appendix 1: Questionnaire for Potential Investors

Date on Interview	Place	Time

1. Name and contact details of Participant:

Name: ……………………………………………………….

Contact No: ……………………………………………….

Email Address: ……………………………………………

2. Questions:

a. General

i. What type of your company business?

ii. What is the turnover of your business?

iii. For how long your company in business?

iv. How many employees works in your company?

v. Do you have any operations out of your company home country?

vi. Do you have any current or future plans to expand out of your home country?

vii. What makes your business sustainable and grow?

b. Investment

i. What are key motivators for starting overseas operations?

ii. From where your import raw materials?

iii. Where are exporting markets?

iv. What is future expansion plan (size of business, type, no of employees)?

c. Attraction to host country

i. What are key needs from host country?

ii. What are key challenges/risk at hot country?

iii. Any specific policy or procedures that you need at host country?

iv. What are requirements from local market?

v. What level and education of work force you require at host country?

d. Impact to host country

i. How many jobs you will create in (year one, year 3 and year 5)?
ii. What type and size of business you will create in host country market?
iii. What is value added you will bring to host country local market?
iv. What know-how and technology you will add to host country?
v. What is your business contribution to host country GDP?

Appendix 2: Questionnaire for Investors

Location of the Interview:

Town/City ______________________ **Governorate** _________________________

Full name of the Company:

____

Name and Position of Interviews at the Company:

Name ___________________________________ **Position** _________________________

SECTION A: COMPANY CHARCTERISTICS

Q1. Where is the World HQ of your company located? **City/Country**____________________

Q2. What is the annual turnover of your company (USD)? _________________________

Q3. Is your company located in a:

Special Economic Zone (SEZ) If "Yes", which one? ________________________

Free Trade Zone (FTZ) If "Yes", which one? ________________________

Industrial Estate (IE) If " Yes", which one? ________________________

Outside of the above?

Q4. What is your company's year of investment in the Sultanate of Oman (e.g. 2013, 2014)?

____

If more than one investment has been approved during this period, please focus on the most recent investment.

Q5. Where you directly involved in the investment decision?

Yes …………………1 No ………………….2

Q5a. If "No" do you have adequate knowledge about the motivation for this investment decision to represent the company in responding to this survey?

____

If the Interview does not have this knowledge, please ask if it would be possible to speak to one of the principals involved in the interview decision. Otherwise, please end the interview.

Q6. How would you classify your investment?

Greenfield (new project)	1
Expansion	2
Merger & Acquisition	3

Q7. What is the ownership structure of your business?

100% foreign capital	1
100% domestic capital	2
Mixed capital, majority domestic	3
Mixed capital, majority foreign	4

Q8. What is your company's principle sector of activity (where relevant, specify main product)?

Sector (UN ISIC rev.4)		**Main Product**
Agriculture, forestry and fishing	1	
Mining and quarrying	2	
Manufacturing	3	
Electricity, gas, steam and air conditioning supply	4	
Water supply; sewerage, waste management and remediation activities	5	
Construction	6	
Wholesale and retail trade; repair of motor vehicles and motorcycles	7	
Transportation and storage	8	
Accommodation and food service activities	9	
Information and communication	10	
Financial and insurance activities	11	
Real estate activities	12	
Professional, scientific and technical activities	13	
Administrative and support service activities	14	
Public administration and defense; compulsory social security	15	
Education	16	
Human health and social work activities	17	
Arts, entertainment and recreation	18	
Other service activities	19	

Q9. What is your Company's total amount of the investment to date (USD)?

Under $50,000	1
Between $50,000 and $500,000	2
Between $500,000 and $5 million	3
Between $5 million and $50 million	4
Over $50 million	5

Q10. Do you an Omanization requirement? (If “Yes”, what percentage?)

____

Q11. Number of permanent employees in your company this year (approximate answer acceptable)?

Number of permanent employees	**Nationals**	**Foreigners**
Number of Men		
Number of Women		

Q12. Approximately what percentage of your company’s sales this year is:

Sector	**Target**	**%**
Domestic Sales in Oman		
Exports to GCC members		
Exports to the US		
Exports to the EU		
Exports to other destination(s) (please name)		
		Total = 100%

Q13. For your domestic sales this year (if any), approximately what percentages is to:

Sector	**Target**	**%**
Government		
State-owned or government controlled entities (SOE or GCE)		
Large firms		
Small and medium firms / enterprises (SMEs)		
Individual consumers		
Other (please specify)		
		Total = 100%

SECTION B: FACTORS MOTIVATING YOUR INVESTMENT IN THE SULTANATE OF OMAN

SECTION B.1: GENERAL QUSTIONS

Q14. Did your company consider undertaking this investment in another country?

Yes …………………1

No ………………….2

Q14a. If "Yes", which countries ware considered your company's top alternative locations, and why?

Country	Reason

Q14b. Why did you ultimately decide not to invest in those alternative locations?

____

Q15. If you are a foreign investor, why did you invest in the Sultanate of Oman?

Penetrating the Omani Market	1
Increasing production efficiency	2
Exploiting Omani natural resources	3
Other (please specify)	4

Q16. Looking at your decision to invest, please rate each of the following factors in terms of their importance in deciding to undertake this investment. Please use a scale of 1 to 5, where:

5 = Critical factor – would not have invested without it.

4 = Important factor – improved the prospects, but not critical to the decision.

3 = Positive factor – a plus, but not very important.

2 = Irrelevant factor – not a consideration.

1 = Negative factor – detracted significantly from the investment prospects.

Rotate the starting point

	Factor	Importance of each factor				
1	Political stability	1	2	3	4	5
2	Economic stability	1	2	3	4	5
3	Country legal framework	1	2	3	4	5
4	Physical security	1	2	3	4	5
5	Location	1	2	3	4	5
6	Geographic proximity and access to countries in the GCC region	1	2	3	4	5
7	Geographic proximity and access to Asia region	1	2	3	4	5
8	Geographic proximity and access to the EU	1	2	3	4	5
9	Proximity to port	1	2	3	4	5
10	Quality of infrastructure	1	2	3	4	5
11	Tax system	1	2	3	4	5
12	Fiscal incentives	1	2	3	4	5
13	Financial (non-tax) incentives	1	2	3	4	5
14	Double taxation treaties	1	2	3	4	5
15	Favourable Special Economic Zone/Free Trade Zone/ Industrial Estate regime	1	2	3	4	5
16	Protective Tariffs	1	2	3	4	5
17	Duty-free imports	1	2	3	4	5

18	Non-tax incentives (i.e. Direct grants or co-financing options, reduced interest rates of bank guarantees, and/or training subsidies)	1	2	3	4	5
19	Presence of Generalized System of Preference (GSP) regime	1	2	3	4	5
20	Availability of supporting business services (i.e. Transport and logistics, consulting, audit, etc.)	1	2	3	4	5
21	Adequacy of road infrastructure	1	2	3	4	5
22	Adequacy of power infrastructure	1	2	3	4	5
23	Adequacy of water infrastructure	1	2	3	4	5
24	Cost and reliability of power and water	1	2	3	4	5
25	Quality of the roads	1	2	3	4	5
26	Domestic market potential	1	2	3	4	5
27	Access to raw materials/inputs	1	2	3	4	5
28	Presence of local suppliers	1	2	3	4	5
29	Presence of key competitors	1	2	3	4	5
30	Presence of key clients	1	2	3	4	5
31	Local suppliers	1	2	3	4	5

32	Customers and markets	1	2	3	4	5
33	Labour laws	1	2	3	4	5
34	Labour costs	1	2	3	4	5
35	Access to competitively-priced unskilled labour	1	2	3	4	5
36	Access to competitively-priced skilled labour	1	2	3	4	5
37	Legal security and predictability of regulations	1	2	3	4	5
38	Operating costs	1	2	3	4	5
39	Transparency of investment climate	1	2	3	4	5
40	Government Agency support services	1	2	3	4	5
41	Support services from PAIPED/Ithraa	1	2	3	4	5
42	Procedures for starting a business	1	2	3	4	5
43	Legal system and services	1	2	3	4	5
44	Availability of support services	1	2	3	4	5
45	Administrative barriers to doing business	1	2	3	4	5
46	Presence of Free Trade Agreements / Bilateral Investment Treaties	1	2	3	4	5

47	Laws / regulations / procedures on international trade	1	2	3	4	5
48	Quality of life	1	2	3	4	5
49	Favourable exchange rate	1	2	3	4	5
50	Ease of repatriation of dividends	1	2	3	4	5
51	Existing foreign investor's experiences	1	2	3	4	5
52	Access to bank financing in Oman	1	2	3	4	5
53	Absence of corruption	1	2	3	4	5
54	Land use rights	1	2	3	4	5
55	Level of technological advancement	1	2	3	4	5
56	Other (Please specify)	1	2	3	4	5

Q17. Did you use the services of investment attraction authorities in Oman?

Yes …………………1

No ………………….2

Q17a. If "No", why not?

____

Q17b. If "Yes", why?

____

Q17c. If "Yes", what services?

____

Q17d. how would you rate the quality of the services on a scale of (1- 5) with 5 being excellent and 1 being poor)?

Q18. Did you use One-Stop services at the Ministry of Commerce and Industry?

Yes …………………1

No ………………….2

Q18a. If "No", why not?

____

Q18b. If "Yes", why?

____

Q18c. If "Yes", what services?

____

Q18d. how would you rate the quality of the services on a scale of (1- 5) with 5 being excellent and 1 being poor)?

____

Q19. Is your company planning further investment in the Sultanate of Oman at this time?

Yes …………………1

No ………………….2

Q19a. If "No", why not?

____

Q19b. If "Yes", what type of investment and which sector?

Investment

____

Sector

____

SECTION B.2. TAX AND FINANCIAL INVESNTIVES

Q20. Which tax of financial incentives, in any, did your company receive?

____

Q21. Did tax or financial incentives influence your investment in the Sultanate of Oman?

Yes …………………1

No ………………….2

Q22. Did they influence your decision to locate in a FTZ / SEZ?

Yes …………………1

No ………………….2

Q23. Did they influence your decision to locate in an industrial estate?

Yes …………………1

No ………………….2

Q24. If you answered "Yes" to any of the above, would you have invested in the Sultanate of Oman without the incentives?

Q25. Please rate the following factors in terms of the negative effect on your decision to invest in the Sultanate of Oman. Please use a scale of 1 to 5, where:

5 = considerable impact

4 = some impact

3 = small impact

2 = very small impact

1 = little impact

Minimum capital requirements	1	2	3	4	5
Omanization	1	2	3	4	5
Local Omani partnership requirements	1	2	3	4	5
Investment license obligation	1	2	3	4	5

C. FACTORS THAT MAY AFFECT YOUR DECISION TO MAINTAIN YOUR INVESTMENT IN THE SULTANATE OF OMAN

SECTION C.1. LAWS AND JUDICIARY

Q26. Has your company had experience with the courts in the Sultanate of Oman?

Yes …………………1

No ………………….2

Q26a. If "Yes", haw would your company rate various aspects of the legal system on a scale of 1-5 (with 5 being excellent and 1 being poor)?

1	Rapidity of the judgment	1	2	3	4	5
2	Quality of the judge	1	2	3	4	5
3	Ease of enforcement	1	2	3	4	5
4	Quality of the Lawyers	1	2	3	4	5

5	Fairness of the proceeding	1	2	3	4	5
6	Cost	1	2	3	4	5
7	Others (please specify):	1	2	3	4	5

Q27. Has your company had experience with international arbitration involving the Sultanate of Oman?

Yes …………………1

No ………………….2

Q27a. If "Yes", how would your company rate various aspects of the arbitral system on a scale of 1-5 (with 5 being excellent and 1 being poor)?

1	Rapidity of the judgment	1	2	3	4	5
2	Quality of the arbitrator	1	2	3	4	5
3	Ease of enforcement in Omani courts (if applicable)	1	2	3	4	5
4	Quality of the lawyers	1	2	3	4	5
5	Fairness of proceeding	1	2	3	4	5
6	Quality of the Omani Arbitration Law	1	2	3	4	5
7	Cost	1	2	3	4	5
8	Others (please specify):	1	2	3	4	5

Q28. On a scale of 1-5 (with 5 being excellent and 1 being poor) **how would your company rate the quality of legal framework for businesses?**

1	Transparent	1	2	3	4	5
2	Reliable	1	2	3	4	5
3	Clear	1	2	3	4	5
4	Discretionary	1	2	3	4	5
5	Consistent	1	2	3	4	5
6	Updated	1	2	3	4	5

SECTION C.4. OTHER

That is the end of the survey questionnaire. Do you have any other comments to offer about the motivation for your investment in the Sultanate of Oman? (If yes, please take notes below.)

Thank you very much for your patience and cooperation. The survey is anonymous and the results of this study are ***confidential****.*

Appendix 3: Questionnaire for FDI Policy Makers

Date on Interview	*Place*	*Time*

1. **Name and contact details of Participant:**

Name: ……………………………………………………….

Contact No: ………………………………………………….

Email Address: ………………………………………………

2. **Questions:**

2.1. Exploration

i. What is your organisation role on FDI attraction and impact?
ii. How FDI operates in Oman?
iii. What is the size of FDI and in what sectors?
iv. Does Oman has any plans for FDI sector?
v. What is current FDI contribution to GDP?

2.2. About FDI Policies and Regulations

i. Does Oman have FDI policy?
ii. Who looks after FDI policies and regulations?
iii. How FDI policy contributes to FDI attraction to Oman?
iv. As there any regulations related to FDI value add/contribution to GDP?

2.3. Policy Governance

i. Who looks after Policy implementation?
ii. How you evaluate the success of exciting FDI policy?
iii. How often you modify your policy? and what are the reasons for that?
iv. If foreign suggest change to such policy do you have flexibility to accept such change? If yes. How long it take to amend the policy?

2.4.Government Facilities

i. On a scale of 1-5 (with 5 being excellent and 1 being poor) **please rate the following issues according to their negative effect on your business operation:**

1	Omanization requirements	1	2	3	4	5
2	Labour regulations	1	2	3	4	5
3	Minimum wages for Omanization	1	2	3	4	5
4	Corruption	1	2	3	4	5
5	Lack of transparency	1	2	3	4	5
6	Unfair competition	1	2	3	4	5
7	Inefficient administration	1	2	3	4	5
8	Tax administration	1	2	3	4	5
9	Customs administration	1	2	3	4	5
10	Changes in legislation and administration	1	2	3	4	5

ii. What changes to Oman's investment climate would you most want to see?

Appendix 4: Questionnaire for Free Zones

Date on Interview	*Place*	*Time*

1. **Name and contact details of Participant:**

Name: ………………………………………………………….

Contact No: ……………………………………………………….

Email Address: ……………………………………………………

2. **Questions:**

2.1 General

i. What is free zone role on FDI?
ii. How many free zones in Oman?
iii. Are free zones the only platform for hosting FDI?
iv. What is the status of your free zone in terms of (no of investors, jobs, size of investments?
v. What is your free zone contribution to Oman GDP?
vi. Do you have KPIs? If yes! pls list them?

2.2 Functionality

i. How free zones function in Oman?
ii. Under what law or policy free zones operate?
iii. Do free zones control utilities?
iv. How is investing in free zone infrastructures?

2.3 Public Services

On a scale of 1-5 (with 5 being excellent and 1 being poor) **how would your company rate the following:**

1	Quality of public schools	1	2	3	4	5
2	Quality of universities	1	2	3	4	5
3	Quality of public healthcare	1	2	3	4	5
4	Quality of infrastructure	1	2	3	4	5
5	Quality of vocational training programmes	1	2	3	4	5
6	Quality of government officials with whom you have dealt	1	2	3	4	5

7	Overall quality of public services	1	2	3	4	5

2.4 Workforce

a. On a scale of 1-5 (with 5 being excellent and 1 being poor) **how would your company rate the following:**

1	Education level of the Omani workforce (if relevant)	1	2	3	4	5
2	Foreign language skills of the Omani workforce (if relevant)	1	2	3	4	5
3	Vocational skills of the Omani workforce (if relevant)	1	2	3	4	5
4	Scientific or technical knowledge of the Omani workforce (if relevant)	1	2	3	4	5
5	Overall quality of the Omani workforce	1	2	3	4	5

Appendix 5: Questionnaire for Local Community

Date of Interview	***Place***	***Time***

1. **Name and contact details of Participant:**

Name: ……………………………………………………….

Contact No: ………………………………………………….

Email Address: ………………………………………………

2. **Questions:**

2.1 General

i. How you define FDI?

ii. Does your community face any challenges from FDI?

iii. Are there any collaborations with FDI?

iv. How do you see the future of your community and FDI?

2.2 FDI Impact

i. What impact FDI on your community?

ii. Are there any benefits from FDI? If yes, please list benefits?

iii. What are your expectations from FDI?

a. On a scale of 1-5 (with 5 being excellent and 1 being poor) **how would community rate the following:**

1	Quality of value addition from FDIs currently operating in Oman	1	2	3	4	5
2	Community overall satisfaction of exciting FDIs	1	2	3	4	5
3	FDIs operating in free zones are creating jobs and business to national economy	1	2	3	4	5
4	Government policies are attracting FDIs to the country	1	2	3	4	5
5	Our community is supporting FDIs attraction	1	2	3	4	5