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The Legal Structure for Investment in Oman in the 1990s: A Case Study of an Arabian Gulf Oil Exporting Economy**

The intent of this presentation is to use Oman as a case study not only of an oil exporting country in the Arabian Gulf, but also, to a certain extent, of a country in the Arab Middle East: an area in which there are approximately twenty separate jurisdictions. The focus is on the specific investment legislation of Oman, which has much in common with that of a number of other Arab states.

The Arab world is a large area. It runs from the Atlantic coast of North Africa as far as the Red Sea; it crosses the Red Sea and includes the whole of the Arabian peninsula. The Arabian Gulf, Iraq, and Syria mark its eastern boundary. (Turkey and Iran, although Islamic, are not Arab countries.) A satellite image of the Arab world shows how arid and sandy it is, and how hot it is. The temperature in a Middle Eastern summer is such that the sleep patterns prevalent in northern climates are not really natural. Despite air conditioning, people think very much in terms of siestas and of breaking up their daily routines in ways that would never occur to those accustomed to a temperate climate. Thus, business meetings may take place very late at night—sometimes even in the early hours of the morning. This habit applies not only to meetings that are the result of high pressure negotiations but also, on occasion, to routine business meetings.

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While this type of cultural difference may seem trivial, it is not, and anyone planning to do business in the area needs to be aware of it and able to adjust to it. Two much more important culture differences are the religion if Islam and the Arabic language.

There is adequate space here to highlight only two aspects of the religion of Islam. The first is that Islam, like all the great religions of the world, preaches a high standard of honesty and integrity. The Koran says "Honor your Contracts."[1] The second point is that Islam has a very different cultural framework from Christianity. Take, for example, the fasting month of Ramadan, in which Muslims must abstain from food and drink from dawn until dusk. This is a rigorous fast, and except perhaps in a few monasteries, no religious exercise performed by Christians in the West is so severe. Nevertheless, Ramadan is also a time for feasting and jollity between dusk and dawn. The combination of fast and feast is an integral part of the Ramadan observances. Yet frequently westerners living in the Arabian Gulf fail to be impressed by the willpower and devotion with which many Muslims observe the fast, because they think that the family reunions and parties in the middle of the night break the spirit of a penitential season. Ramadan is not a penitential season after the manner of Lent; Ramadan and Lent are completely different concepts. Obviously, Ramadan can be a difficult time to do business.

The second major cultural difference is the Arabic language, which to the average westerner is a formidable barrier. Arabic writing looks more like tongues of flame than a familiar alphabet. Yet Arabic writing, in strong contrast to English or French, is almost entirely phonetic. Nevertheless, the rapid advance of technology presents the Arab world with a dilemma. To assimilate the latest terminology and concepts relating to topics such as computers or biotechnology, a mother-tongue Arabic speaker needs to understand English or French well. In such areas, Arabic constantly battles to catch up. English is the language of most major business transactions in the Arabian Gulf. Agreements are therefore frequently in English, very often without an Arabic text, although they will almost certainly need to be translated into Arabic if they are ever the subject of litigation in a local forum. The translation of an English legal document into Arabic is a highly specialized skill because the translator must be aware of and understand the technical terminology in both languages—and this means having a degree of familiarity with at least two different types of legal system.

I. The Legal System in Arab Countries

Legal language is one area of modern terminology in which Arabic has caught up with English, but Arabic legal terminology stems either from the Islamic Shariah or from the French Code Napoleon, which took root in Egypt and has to

1. KORAN 5:1.

a large extent been incorporated in the legal systems of most Arab countries, perhaps most notably as regards company law.[2] A French person may therefore find it easy to understand Arab legal concepts. An English person or an American, however, whose legal concepts stem from the common law, needs to have some knowledge of the civil law system to understand many of the concepts that are used equally in France and Egypt and influence most of the rest of the Arab world to a greater or lesser extent. The only Arab country that adopted a common law system was Sudan. In the part of the Arabian peninsula in which the British influence was strong, elements of the common law system remain, but they are gradually being discarded or assimilated into systems that are adopting codifications of law in the manner of Egypt.[3]

Thus, in Oman, as in most other Arab countries, a private company, a "limited liability company," resembles a French S.A.R.L. The concept of a floating charge over the assets of a company is unknown. A limited liability company may not issue bonds, and therefore a lawyer practicing in Oman (or most other Arab countries) has no opportunity to create loan stock in a limited liability company and use it in an innovative way.[4] These are important points to bear in mind when considering what forms of security are available in the private sector.

The concept of consideration in the law of contract, that hallmark of the common law, is unknown or considered irrelevant. As one example, in Oman, consider a dispute which occurred between a contractor and a subcontractor. Their agreement, as so often, had been contained in an exchange of letters and a few telexes written in English. The subcontractor's work became increasingly behind schedule, but the main contractor did not have the option of removing the subcontractor from the site and appointing another subcontractor; no other company in easy reach had the specialist equipment and necessary expertise. Eventually, the subcontractor admitted that it was in severe financial difficulties and agreed to continue the project and finish it within a certain time in exchange for an increased payment. When matters, predictably, ended in litigation, the main contractor argued that there had been no consideration for these increased payments. All the obligations that the subcontractor was to perform were existing obligations under its original agreement. Nevertheless, the argument that the amendment to that agreement was void, for lack of consideration, was rejected. As far as the judicial authority was concerned, the amended agreement was a joint expression of a common will with an intent to create legal relations.[5] That there had been no consideration, no quid pro quo, was irrelevant.

2. W.M. Ballantyne, Commercial Law in the Arab Middle East: The Gulf States 150 (1986).

3. *Id.* at 4.

4. Sultanate of Oman, Commercial Companies Law arts. 136–169. The Law only provides for the issue of bonds by a joint stock company. *See* arts. 72 *et seq.*

5. Authority for the Settlement of Commercial Disputes: Case 283/85.

The influence of the Shariah, the Islamic system of law based on the Koran, the tradition of the Prophet, and the consensus of the community, is always present,[6] although the degree to which it is of direct relevance to commercial matters affecting investment varies. The problem generally of most concern to foreign investors is whether agreements that involve the payment of interest will be upheld. There is room for the development of much academic learning on what, precisely, comprises the prohibited *riba*, "usury," in modern commercial transactions.[7] The worry here is rather similar to the worry of an English lawyer as to whether or not liquidated damages may be construed to be, in reality, a penalty. It is essential to take advice in the jurisdiction concerned. In Oman, provided that interest is charged at a rate that could not be deemed exorbitant in the local market, there should be little problem. Contracts including such interest payments have been upheld by the Authority for the Settlement of Commercial Disputes, the judicial body set up by Royal Decree to have exclusive jurisdiction in commercial matters.[8]

II. Centralized Planning

None of the countries of the Arab world industrialized until relatively recently—all industrialization in Oman, for instance, has taken place within the last twenty years—and most of them have vivid recollections of a period of colonial rule, or at least of the exertion of strong influence by an imperial power. Although that period is increasingly receding into history, it is an important factor in understanding the Arab world. From the point of view of investment, it explains various economic decisions and the reactions of the legislatures in various Arab states to foreign and multinational business.

Take Egypt. During the period of President Nasser, the government nationalized or expropriated foreign property and introduced a strong element of central planning into the economy in an attempt to catch up with the industrialized nations. These actions took place under the influence of the centrally planned economies of eastern Europe. Central planning enabled Egypt to build the Aswan Dam and to establish its own steel industry. Many state-connected organizations

6. These are the three universally accepted sources of the Shariah. For a short exposition of the sources of Islamic law, see, e.g., G.E. VON GRUENEBAUM, MEDIEVAL ISLAM 142 (2d ed. 1953).

7. For a succinct discussion of the meaning of *riba*, see N. COULSON, COMMERCIAL LAW IN THE GULF STATES: THE ISLAMIC LEGAL TRADITION 10–12 (1984). The Arab Regional Committee of the International Bar Association has focused attention on the issues posed by the Shariah's prohibition of interest on loans and the exciting new field of Islamic banking. *See The Shariah and Its Relevance to Modern Transnational Transactions*, in PROCEEDINGS OF THE FIRST ARAB REGIONAL CONFERENCE, FEBRUARY 1987 (published by the IBA and Graham & Trotman) [hereinafter 1987 PROCEEDINGS]. The development of Islamic banking was explored further by the Third Arab Regional Conference in June 1990, the proceedings of which should be available shortly.

8. *See, e.g.*, Case 108/86; Appeal Case 7/87.

were involved in establishing factories for industrial products of one sort or another, frequently import substitutes.[9]

Egyptian policy during this period has influenced aspects of legislation in many other Arab countries, including the oil rich states of the Gulf. These countries deemed a degree of centralized planning essential if they were to build modern economies. At the same time, legislation restricting the economic activities of foreigners was necessary, unless those countries were willing to risk the economic advantages of the development boom going almost entirely into the pockets of the multinationals and other foreign companies. Such was the thinking behind Oman's foreign investment legislation.

III. Omani Investment Legislation

The starting point for any investor in Oman is the Foreign Business and Investment Law, article 1 of which provides: "It shall be unlawful for any non-Omani national, whether a natural or juristic person, to engage in trade or business in the Sultanate of Oman or to acquire an interest in the capital of an Omani company except as provided in this law."[10] Nothing could be clearer. The basic rule is that a foreign company cannot invest in Oman unless it can plead an exemption to the basic rule or it can make an application within the parameters laid down by the law. The law dates from 1974 and replaces an earlier, 1972, version.[11] It was thus introduced very shortly after Sultan Qaboos, the present ruler, came to power in 1970 with the intention of modernizing the country. It has as its intention the strengthening of Omani commerce by preventing foreigners from acquiring a stake in that commerce without express governmental approval. This law must be considered side by side with other laws that restrict the ownership by foreign companies of interests in land except in very specific circumstances,[12] and also the law for the encouragement of industry of 1978, which states that all industrial projects with a capital of R.O. 20,000 must be approved by the government.[13] Similar intentions can be discerned behind other Omani

9. For a comprehensive statement of the Egyptian Government's policy on planning at the height of the Nasser era, see *Planning of Economic Development in the United Arab Republic*, by Dr. Ahmed M. El-Morshidy, Director General in the Ministry of Planning, Cairo (Dec. 1962).

10. Foreign Business Investment Law art. 1, Royal Decree 4/74 [hereinafter FBIL].

11. The Foreign Capital Investment Regulations of 1972.

12. E.g., Omani Land Law of 1980 art. 1 (Royal Decree 5/80) states that foreigners may not benefit from its provisions unless specifically exempted by Royal Decree. For a limited "right to benefit" that foreigners may hold in land, see Royal Decree 5/81.

13. Royal Decree 1/79 art. 5. Article 6 goes on to say that an industrial establishment involved in a designated "basic industry" and having an investment of R.O. 20,000 (less than U.S. $60,000) "may not stop or reduce its production without previously obtaining a permit from the Directorate General of Industry." It is hard to imagine a more rigorous example of a legislative provision designed for a centrally planned economy, although doubt must be expressed as to whether it is ever enforced.

legislation. The restrictions on foreign companies owning land can also cause problems with security. A foreign company normally cannot take a mortgage over land,[14] and such a company must reach agreement with a local bank that will act as "security agent" on its behalf. However, in contrast to Egypt and some other Arab states, Oman and the other Gulf Cooperation Council (GCC) states have never been hostile to the private sector.

The government owns a majority stake in the country's leading oil company and has also become a shareholder in other enterprises of great significance to the economy.[15] Nevertheless, the government's policy has always been to encourage the Omani private sector. It is common for a foreign company wishing to invest in Oman to be told that it must find Omani shareholders to own the majority of the share capital of the limited liability company that will be incorporated to provide the vehicle for the investment. Occasionally, the foreign investor may also find it worthwhile to consider setting up a joint stock company. A joint stock company is the equivalent of a public company, and, therefore, the only type of company that may offer shares to the public. The offer of shares to the Omani public in this way is a condition for obtaining certain preferential financing from government sources.[16]

Every application for foreign investment must be approved by the Foreign Capital Investment Committee in the Ministry of Commerce and Industry. Such approval is far from automatic. In 1982 this committee issued a communique stating that it would accept no further applications for foreign investment in companies that were to carry on general trade and the provision of general services.[17] This announcement is not legislation, but for practical purposes it has the same force. Some other GCC countries have enacted similar requirements.[18]

What exemptions are there to the prohibition in the Foreign Business and Investment Law, and what does a foreign company do if it cannot take advantage of such an exemption or become a shareholder in a company set up under the law?

The main exemption is for foreign companies engaging in direct contracts with the government of the Sultanate or its public institutions.[19] A similar exemption is available to companies engaged on an "economic development project."[20] There is an interesting difference between the original Arabic text and the official

14. This is implicit in the prohibition contained in Royal Decree 5/80 art. 1 referred to *supra* note 12.

15. Petroleum Development Oman, the country's major petroleum exploration company, has a government majority stake; compare also Oman Mining, a company with a government shareholding incorporated to exploit copper deposits near Sohar.

16. *See, e.g.*, Royal Decree 83/80, which allocated R.O. 135,000,000 to investments under the second Five-Year Plan. Any foreign participation in companies to benefit from preferential finance needed to be limited to 25 percent. *See id.* art. 3(3).

17. Communique of Foreign Capital Investment Committee (1982).

18. On this point, see W.M. BALLANTYNE, *supra* note 2, at 138, with regard to Qatar.

19. FBIL art. 6(a).

20. *Id.* art. 6(b).

translation. The Arabic text says merely "an economic development project." The English translation says that it must concern "a project *declared* to be an economic development project."[21] This exemption most likely was inserted in the law in order to give the authorities the opportunity to exempt a foreign company investing in the private sector, if they so desired. The difference between the English translation and the original may well be deliberate and was probably intended to make it clear to foreigners that it is for the authorities, and not for the investor, to decide when a project is an economic development project for which the exemption may be sought. This kind of registration can be found in the oil industry, but contractors are increasingly encouraged to incorporate a local joint venture with an Omani shareholder rather than prolonging this exemption for the course of successive contracts.

The third major exemption is for professions (or skills) that are in critical need in the Sultanate. A different type of registration is available for this,[22] and the exemption is really aimed at consultancy services of one sort or another.

The other exemptions concern banks, which in any event have to be licensed by the Central Bank, and special exemptions granted by the Sultan.[23]

In another article in the law, headed "Exclusions," there are what amount to other exemptions for isolated transactions and certain other minor categories.[24] If a company can take advantage of such an exclusion it need not apply for registration in the Commercial Register (in contrast to a company granted one of the exemptions mentioned above).

What may a foreign company do if it cannot take advantage of an exemption or an exclusion? It may take advantage of the Commercial Agencies Law, and appoint a local merchant or trading company as its representative, but that law makes it quite clear that the agent should deal with the foreign principal on a third-party basis. The agent will sell the goods or provide the services in Oman by reselling them to the consumer at an increased price or at an agreed rate of commission. The important point is that the agent carries on its business on the basis of independence from the principal. The agent will also be entitled to compensation for abuse of right that may occur if the foreign company decides to change agents without compensating the former agent for its efforts in promoting the agency—even if the termination takes place on the expiry of a fixed-term agency agreement.[25]

It is, of course, possible to come to various additional agreements with an agent: offshore support services may be provided. This may even extend to the

21. The Commercial Business Laws of Oman 16 (booklet published by the Ministry of Commerce and Industry).

22. FBIL art. 6(c).

23. *Id.* art. 6(d)–(e); on the licensing of banks, see in particular law 7/74, the Banking Law, art. 4(2).

24. FBIL art. 5(b).

25. The Commercial Agencies Law, Royal Decree 26/77, art. 10.

secondment of, for instance, sales or management personnel. However, the point about the independence of the agent should not be forgotten.

The foreign investor must also be careful of article 13 of the Commercial Companies Law.[26] This article provides that an agreement that deprives a shareholder of a share of profit or loss in the company is void. An agreement to set up a company with a foreign shareholder effectively owning the beneficial, but not the legal, title to its shares by means, for example, of receiving a share in the profits of the company in exchange for a loan (thus attempting to circumvent the letter or the spirit of the Foreign Business and Investment Law) is fraught with difficulties.

The Authority for the Settlement of Commercial Disputes, the judicial body in Oman with jurisdiction in commercial matters,[27] has taken to publishing some of the legal principles on which it has relied in its decisions. One specific case, number 43/84, is worth noting because it shows that the authority reserves to itself the right to take a very strict interpretation of the Foreign Business Investment Law. The case concerned a Bangladeshi tailor who carried on a business in Oman under an agreement with an Omani "sponsor." The tailor ran his own shop and paid a percentage of his takings to the sponsor. When he attempted to enforce a provision in his agreement with the sponsor, the Authority for the Settlement of Commercial Disputes refused to uphold it, because the agreement was in direct violation of the Foreign Business and Investment Law. The authority took the view that it could strike it down on its own initiative regardless of whether the infringement of the Foreign Business and Investment Law had been pleaded in the argument before it. In this, it was relying on the civil law "public policy" doctrine of *ordre public.*[28]

Oman has a corporation tax that is used to reinforce the structure set up by the Foreign Business and Investment Law, since taxation is on a sliding scale depending on the proportion of the share capital owned by a foreign interest. Thus, wholly Omani owned companies currently are not subject to corporate taxation. Sliding scales of taxation rise to 25 percent on companies in which foreigners own up to 49 percent of the paid up capital and to 30 percent if the foreigners own up to 64 percent. Because of the Foreign Business Investment Legislation there are no Omani companies in which foreigners own 65 percent or more of the paid up capital.[29]

The way in which the tax legislation is drafted is interesting. Essentially all companies are liable to tax, but a specific exemption for a limited period on wholly Omani-owned companies is contained in a separate decree. Whenever

26. Law 4/74.

27. The Authority was established by Royal Decree 79/81.

28. See the Authority's Year Book (published in Arabic), *Majmu'at alqawa'id Al-Qanuniyya* 170 (1984–85).

29. Royal Decree 46/87; FBIL art. 131(c).

this exemption has expired it has been renewed, although sometimes not until well into the following financial year when it has had to be renewed retrospectively. Until this retrospective renewal was enacted, there had been a period when the law provided that wholly Omani-owned companies were taxable, and during which they were obliged to file tax returns. There seems no doubt but that the Omani revenue authorities have been gradually gearing themselves up for the introduction of taxation on wholly Omani-owned companies. In September 1989 a decree was enacted stating that wholly Omani-owned businesses would be taxed at a rate of up to 7.5 percent. Although this decree has been suspended for the rest of the current year, the concept of higher rates of tax for companies with foreign participation has been preserved.[30]

In Oman, as in the other GCC states, the government has thus taken an active role in trying to channel commerce and industry into the hands of its citizens, particularly the local business community. There has been a strong element of central planning, reinforced by tariff protection,[31] to foster local industry.

IV. The Future

What of the future? The worldwide trend appears to be towards liberalizing investment. The restrictions on foreign investment in the GCC states have been eased within the community, with the intention of encouraging the nationals of each state to invest in the other states.[32] On the other hand, it does not appear to be intended that restrictions on other foreigners investing will be lifted.

When Egypt announced its open door policy in 1974 a special law was passed, No. 43/74, to enable foreigners to own shares in the capital of an Egyptian company in certain circumstances, and for such companies with a foreign shareholder to receive tax exemptions, to be able to repatriate profits, and to be exempt from the effect of some of the socialist legislation to which the Egyptian private sector was subject.[33] One might have thought that Oman in promulgating its Foreign Business Investment Law in 1974 was following the example of Egypt. However, a closer examination of Omani legislation shows that the 1974 legislation had been anticipated in earlier legislation of 1972,[34] before the Egyptian open-door policy.

30. Royal Decree 77/89.

31. The Law for the Organization and Encouragement of Industry art. 19(4) gives the Ministry of Commerce and Industry power to impose or increase customs duties on imported goods similar to those produced locally.

32. See the Unified Economic Agreement between the Member Countries of the GCC art. 8, which commits the member states to allow the nationals of other member states the freedom to exercise economic activity.

33. For a summary of the benefits under Law 43/74, see Nadoury, *Foreign Investment in Egypt*, in 1987 PROCEEDINGS, *supra* note 7.

34. *See supra* note 11.

The comparison between the Egyptian Foreign Investment Legislation and that of Oman should not be pushed too far. The Egyptian legislation was designed to attract foreign investment and reflected the very different economic circumstances of that country. Thus, the tax concessions, guarantees against nationalization, and assurances on the repatriation of profits were appropriate and necessary in order to attract foreign investors, who were well aware of what had taken place in Egypt in the 1950s and 1960s as in so many other countries in Africa and the Middle East. In Oman, by contrast, the legislation was aimed at *restricting* foreign investment with the intention of allowing a modern economy to develop that was predominantly owned by Omani capital and was not swamped by foreign competition. The establishment of the Foreign Capital Investment Committee, which had to approve all applications for investment,[35] must have been intended to enable the government to steer investment into certain areas and away from others. This policy explains the decision of that committee in 1982[36] to give notice that no further applications for investment in general trading or service companies would be permitted.

Investment legislation that dates from the early 1970s is not necessarily appropriate in the 1990s. Last year, Egypt replaced Law 43/74 with a new law, 230/89. This new law, on the one hand, permits approved projects to be 100 percent foreign owned. On the other hand, it seems to restrict further the areas in which foreign investment will be allowed, while leaving it to the discretion of the Council of Ministers to add to those areas "other fields required by the country's needs, and economic activities needing modern technology or whose purpose is to increase exports, decrease imports or increase employment."[37] The important consideration is, of course, that the project must be approved. Thus, although complete foreign ownership may sometimes be permitted, the basic concept that all investment applications must be approved by the host country remains, and the host country may refuse permission because it has decided that a particular sector of the economy is inappropriate for further foreign investment.

There have been indications in Oman that some new legislation in this area may be considered, but there has as yet been no indication as to what it might contain. The rather rigid structure imposed by the Foreign Business and Investment Law has often been difficult to enforce and may have discouraged some foreign investment that would have been beneficial to the Omani economy.

The way in which Oman and Egypt, with their entirely different political and economic backgrounds, formulated investment legislation in the early 1970s that contained certain similarities indicates that it is likely that in the 1990s, too,

35. FBIL art. 9.

36. *See supra* note 17.

37. Law 230/89 art. 1(a) as translated in Davies, *Egypt's New Investment Law: Law 230 and Law 43 Compared*, MIDDLE EAST EXECUTIVE REPORTS, Oct. 1989, at 10.

whatever new trends in foreign investment legislation may be established in part of the Arab world will find echoes in other Arab countries. It is to be expected that the authorities in all these countries are looking at their investment legislation and considering both the extent to which it has been effective in achieving its objectives, and also the extent to which such legislation has been helpful to them. Let us consider some of the obstacles that the current system poses for the foreign investor in Oman.

The Foreign Business and Investment Law contains a provision allowing the authorities discretion to demand the provision of a bank guarantee by a new company that will be incorporated under the law.[38] This provision has often been interpreted so as to put an obligation on the company to obtain a guarantee from its foreign shareholder equivalent to the foreign shareholder's proportion of the share capital. The result is that, for practical purposes, the shareholder sometimes has to pay its share capital twice. Similarly, companies to be incorporated under the Foreign Business and Investment Law must generally have a paid-up share capital of R.O. 150,000. The authorities have a discretion to accept applications for companies that would have a capital of only R.O. 30,000, but these applications are very rarely granted. Some tenders will require the company to have a higher capital—sometimes R.O. 251,000.[39]

The restrictions that such requirements place upon foreign investment may be accepted fairly cheerfully during a boom, but are likely to discourage investors at other times. They have as their origin the well-justified fear that many of the foreign companies who came to the country in the boom days were fly-by-night companies. The laws were designed to protect Omani shareholders and sponsors from their activities. Today, however, the commercial environment in Oman is infinitely more sophisticated than it was in 1974. Perhaps the time will come for local commerce to be expected to survive with less protection. Furthermore, anybody who is familiar with commercial life in the Arabian Gulf is well aware that the foreign investment legislation has only been partially successful in achieving its objectives. Another fact which must be faced is that some foreign investors have succeeded in disregarding the law.

V. Competition for Investment

How should a country such as Oman, with a small domestic market, attempt to react to the challenges of a world in which countries are forced to compete for investment?

The Gulf Cooperation Council has been in existence for ten years now and has made considerable progress in reducing or abolishing internal tariffs between its

38. FBIL art. 3(d).

39. This is the figure for "excellent grade contractors" who may compete for the largest government projects.

member states. Nevertheless, although it is often said that the GCC is modelled on the European Economic Community, much remains to be done before its member states will become a single market. There is no equivalent to Article 85 of the Treaty of Rome or competition policy. Therefore, if a foreign company is considering investment in a manufacturing plant in a GCC state with a view to exporting to the other member states in the community, it would be well-advised to check at an early stage as to what tariff barriers may still be in force with regard to the products to be manufactured and what the position will be as regards possible rival distributors in the territories of other member states. It will be interesting to see whether the community progresses to being a single market after the manner of the European Community in the 1990s.[40]

One wonders also whether countries such as Oman, may follow others such as Egypt and Dubai in setting up free ports and free zones in which the foreign investment receives preferential treatment. The future will tell us. Sooner or later, some degree of liberalization of the investment laws is inevitable, but it is probable also that some degree of protection for the local economy will survive.

40. For an outline of the constitution of the GCC, see W.M. BALLANTYNE, *supra* note 2, at 165–70. Article 4 of the Uniform Economic Agreement, signed in Riyadh on November 11, 1981, provides inter alia for the free movement of products of national origin. Such products must have a local content (which has been added within the GCC by firms with at least 51 percent local participation) equivalent to 40 percent of the final value of the products.