What Motivates Foreign Direct Investment? The Case of Oman

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Abstract

The fierce competition among developing countries to attract foreign direct investment (FDI) has made the understanding of major FDI incentives of primary importance. The aim of this paper is to examine the main factors in foreign investment decision in Oman. Data collected from more than a hundred foreign equity ventures were used in the analysis. Political and economic stability are found to be the two most important motives. Contrary to expectations, purchasing power of customers, market size and availability of low cost inputs are the least desirable factors. It is also found that all motives do not equally appeal to all foreign investors.

Keywords: FDI, Oman, Motives, Gulf Co-operation Council, Survey.

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Introduction

Recently governments in developing countries have been focusing on foreign direct investment (FDI) as a key source of economic development (UNCTAD, 1998). This led to an intense competition by third world countries to attract FDI. Rolfe and White (1992) noted that potential foreign investors are now faced with a dizzying array of host government incentives. Similarly, in Oman, according to recent economic development plans and political rhetoric, the future prospect of social, economic, and political developments of the country is perceived as being ultimately related to its ability to attract more FDI. Available data on the level of FDI in Oman, however, leaves much to be desired (Oman British Friendship Association (OBFA), 1998, p.7). In fact, the whole Middle Eastern region, which includes Gulf Co-operation Council (GCC) countries, other Arab countries, Israel and Turkey does not attract more than 3% of FDI worldwide (Ali, 1999). This article focuses on Oman by investigating the incentives for engaging in FDI in Oman. Oman was chosen for this research because it performed relatively well during the 1990s in relation to the other GCC countries in attracting FDI (OBFA, 1998, p.7).

Studies reported that altering the business environment does have an effect on the level of inward FDI (Globerman and Shapiro, 1999). Brewer (1993) argued that government policies can influence FDI location by altering the relative attractiveness of the host country to foreign investors. Billington (1999) noted that if potential hosts know what factors determine FDI location, they may be able to manipulate these factors so as to attract extra FDI to their own country and region. Therefore, we seek in this paper to empirically examine the factors that influence foreign investors to engage in FDI in

Oman. Specifically, this paper seeks to answer the following three questions: What are the main motives for engaging in FDI in Oman? Do investors from different regions put significantly different emphasis on different motives? Do investors from different sectors put significantly different emphasis on different motives?

Oman's FDI Policy Framework

Oman is a small oil producing state with a population size of just over 2 million. Prior to the discovery of oil in the 1960s, it was estimated that 90 per cent of the people worked in the agricultural sector, with the remaining 10 per cent involved in other activities such as fishing and trading (Ministry of Development (MOD), 1995). However, since the discovery of oil in the early 1960s, the Omani economy has been transformed through the export of oil. Oil has dominated the national economy and has become the main source of foreign capital - accounting for more than 90 percent of all receipts from exports of goods. The high financial surplus from oil revenues in the 1970s and 1980s enabled Oman to finance local development programmes without the input of foreign capital. As far as foreign entry and ownership requirements were concerned, Oman had severe entry barriers. For instance, both the 1974 and 1978 laws governing investment in Oman gave priority to local investors and discriminated against foreign investors (GOIC, 2001). GOIC (2001) reported that during the 1970s and 1980s there was no willingness to attract foreign capital and this was institutionalised via laws that discourage foreign investment through high degree of screening or sectoral restrictions and barriers.

Since the early 1990s, Oman has sought to integrate its economy into the global economy and have edged towards seeking foreign investment. The main catalysts for this change of direction have been the drop in oil prices during the 1990s and pressure from the World Bank and International Monetary Fund (IMF) (Gulf Business, 2001). As a result of the sharp fall in oil prices the external trade balance turned into deficit in 1998 by 122 million Omani Riyals ($ 83 million) for the first time since 1973 (CBO, 1997). As a consequence, the Omani government has been embarking on a cost cutting strategy to reduce the budget deficit through lower public investment, privatisation and a strategy to encourage foreign investment. In addition, as noted by the Tribune Magazine (1999), there is growing realisation in Oman that the country can no longer insulate itself from globalisation, and that it cannot find its way into the World Trade Organization (WTO) without lowering tariffs and undertaking other obligations implicit in the WTO membership such as a more hospitable environment for FDI. As a consequence, since the early 1990s, the government has significantly changed its attitude towards FDI. Foreign investment barriers have given way to active promotion for FDI. FDI is promoted on the premise that it will revitalise the economy, rectify the constant problem of national deficit, create job opportunities for Omani nationals, and secure the transfer of the latest technology and knowledge to Oman (OBFA, 1998).

In order to attract more FDI, Oman has readily offered various investment incentives (OCCI, 1998). The Omani policy is based on the simple logic that unless the country offers what foreign firms are seeking, and makes its policies more conducive to foreign firms activities, it will not succeed to attract more FDI. Oman's recent strategy for attracting FDI rests on four key pillars: new legal framework, business facilitation, economic liberalization, and promotion of the country for foreign investment. The most obvious milestone is Oman's new legal business framework. The 1994 Investment Law and subsequent amendments designed to encourage FDI by liberalizing the country's investment framework and allocating a special government body to promote the country for FDI (OCCI, 1998). For instance, the new investment law removed all entry restrictions to local ventures, alongside with the removal of ownership restrictions in most sectors and the reduction of minimum capital requirements (Investment Law No. 16 of 1996). The new law also provides assurances regarding the repatriation of capital and profit. Furthermore, companies with foreign participation are treated on a par with wholly owned Omani companies and may be exempted from corporate tax during the first five years after establishment.

Attracting FDI does not only depend on policies aimed at liberalizing FDI, but also on the ability to create a favorable investment climate and the ability to promote the country for FDI. As governments' policies towards FDI are becoming more similar, promotional activities have become more important. Accordingly, countries that have relatively recently changed their FDI policies and were invisible, or unattractive to foreign investors have all began to resort to promotional activities (UNCTAD, 1995). The UNCTAD (1998) report noted that "governments have become increasingly aware that it is one thing to change a policy, and quite another to get the information to FDI decision makers-- let alone convince them to make an investment" (p.99). Therefore, Oman has had to deal with an image problem *vis-à-vis* foreign investors who continue to perceive it as places not friendly to FDI (Gulf Business, 2000). To this end, Oman has been promoting itself as politically stable and war free country particularly after the ending of the Gulf War (GOIC, 2001). In addition, Oman has a free open economy, where there are no constraints on foreign investment activities, it is committed to a market-oriented economic policies, and it is determined to carry out its policy of privatization. Oman is oil rich country with a very high per capita income compared with other developing economies. In addition, Oman offers duty-free access of products from Oman to other GCC countries. Government publicity material promotes Oman as a country possessing a good infrastructure and cheap and accessible resources, has a modern banking and transport (reads, sea and air) systems, and has access to cheap labor force from neighboring Asian and Arab countries.

In Oman, the total capital of companies with foreign participation as at mid 1999 stood at RO 145 million ($ 376.62 million) constituting 41.8 % of the total capital of all 626 companies registered at the Ministry of Commerce and Industry (Ministry of Commerce and Industry, March 1999). Table 1 shows total of FDI, by origin and sector of activity. As shown in Table 1, GCC countries are one of the main providers of FDI in Oman. The total overall investment from GCC countries flowing into Oman, in 1996, were directed towards the financial sector. FDI Inflow from non- GCC countries, however, has increased considerably since the late 1990s. The total capital flowing in from non-GCC countries amounted to RO 44.3 million ($ 115.06 million) as of March 1999, representing 73% of total FDI. Data in Table 2 shows that the industrial sector has a lion share of FDI in 1999 followed by the trade, services and financial sector respectively.

[TABLE 1 AND 2 ABOUT HERE]

Theoretical Framework

Research on the determinants of FDI indicates that a plethora of factors could influence FDI location decision. Market-size is reported to be one of the most significant determinants of FDI flows. Bandera and White's (1968) study of US manufacturing FDI in different European countries found a strong correlation between the level of FDI and the level of national income in the host country. Using aggregate data on a large number of developing countries, Root and Ahmed (1979) found that per capita GNP – used a proxy for market-size- to be the most dominant variable in determining FDI in developing countries. Holding other factors constant, availability, cost and access to raw materials and labor supply are also found to have a strong effect on the location of FDI (Dunning 1988). Literature indicates that the lower the cost of labor, the more attractive the country is to FDI. Tsai (1994) found that while lower labor cost attracts more FDI, higher labor cost discourages inward FDI. Political (in) stability was also found to have an impact on inflow of FDI. Schneider and Frey (1985d) and Bollen et al. (1982) noted that political instability significantly reduces the inflow of FDI. Ahargoni (1966) found that investors report political instability as the most important factors influencing their FDI decision. Welfens (1993) argued that in transition economies such as Eastern and Central European countries, political stability is needed to attract FDI. Generally, research indicates that political stability is a pre-requisite for FDI to occur but is not a strong motive for inward FDI (UNCTAD, 1998). Economic stability is also reported to be a key determinant of FDI (Goodnow and Hansz 1972, UNCTAD 1998). In addition, economic stability must be accompanied by political stability in order to affect positively inward FDI. Put differently, foreign investors will be deterred by political and economic instabilities but will not be motivated to invest because the country is economically and politically stable – they are necessary condition for FDI to occur but are not enough on their own. The two factors matter when accompanied by other motives (UNCTAD, 1998).

Among other key determinants of FDI that have received attention in the empirical literature, are economic growth (Root and Ahmed (1979a), infrastructure (Wheeler and Mody (1992), geographical proximity and transportation costs (e.g. Goodnow and Hansz 1972, Davidson and McFetridge 1985), tax incentives (Root and Ahmed, 1979), investment policy of host countries (Wint 1992), and the level of industry competition in the host country market (e.g. Goodnow 1985, Harrigan 1985),

The importance of host country factors may differ depending upon the country in which the firm originated. Jun and Singh's (1996) found that locational determinants of inward FDI differ significantly for structurally different countries. Pauly and Reich’s (1997) study on the practices of US, Japanese and German multinationals provided rich evidence that, despite globalization, considerable nationally-based differences between multinationals persist. For instance, German and Japanese firms obtain most of their financing through banks, while US firms rely primarily on capital markets. By implication, nationally-based differences may influence firms’ decisions on FDI location. Studies conducted by Reuber et al, (1973) and UNCTAD (1998) noted that foreign investors may respond differently to different types of motives depending on their strategies, which are subsequently influenced by their country of origin (Stopford and Wells, 1972). One reason for country of origin variations, which is of relevance to this article, is geographical and cultural proximity between a firm's home country and the target FDI location. For instance, in their study on FDI in Canada, Alford and Lussier (1997) found significant differences between the approaches of US and non-US investors where US investors might view Canada as a proxy for investment in another US state; motives such as diversification played an important part for non-US investors, but did not enter into the US investors' considerations. By extension, given the geographical and cultural proximity of GCC states to Oman, we hypothesize that factors such as cost of labor, natural resources, high purchasing power, and the political and economic stability would not be of much interest to companies from GCC countries. Conversely, European and/or Asian companies might base their location decision on these factors. To determine whether the importance of motives varies according to country of origin the following proposition is examined:

P1: The relative importance of host country location factors will vary with the country of origin.

The sector of activity could also affect the incentives preferred by foreign firms. Already in the early 1970s, Dunning (1973) considered the possibility that FDI motives differ between industries; for instance, manufacturing may differ substantially from service operations and/or agriculture. Manufacturing investments generally require much larger investments in fixed assets, such as land and equipment, than do service companies. As a result, incentives related to the acquisition of assets or availability of natural resources should be of less interest to service firms.

While some empirical studies found that FDI determinants did not differ significantly between sectors (e.g. Miller 1993), other studies implied different conclusions. With respect to socio-political risk, different authors (e.g. Kobrin 1978; Robock 1971) suggested that different types of socio-political events have diverging effects on different industries thus, by implication, a firm's response to socio-political instability differs by sector. A number of empirical studies suggested or implied that FDI motives may differ between sectors. Based on an investigation of 118 foreign plants constructed or purchased by US firms, Bass et al. (1977) found that different industries emphasise different factors in FDI. For instance, while labour intensive electrical firms were more concerned with wage rates, capital intensive chemicals firms put more emphasis on shared ownership. In a study of the effect of socio-political instability on the flow of US investment, Fatehi and Safizadeh (1994) found that socio-political events affected different sectors in different ways. By examining three forms of FDI – manufacturing, mining and petroleum, the authors found a diverging effect of political instability on the flow of these three forms of FDI.

To determine whether incentive preferences differ by a sector of activity, the following proposition is examined:

P2: Incentive preferences of foreign investors will differ depending upon the sector of activity.

Data Collection

The data for this research were gathered using a questionnaire, from companies operating in Oman with a foreign equity. The questionnaire used is a revised version of Tatoglu and Glaister (1998). Fifteen country-specific variables were tested in the study: political stability, economic stability, government policy towards FDI, repatriation of profits, availability of investment incentives, growth rate of Oman economy, level of infrastructure, geographical proximity, availability of tax advantages, access to neighboring market, transport and communication costs, level of industry competition, purchasing power of customers, market size, and availability of low cost inputs.

The questions relating to host country motives were ex-post measures of foreign parent managers' perceptions of the relative importance of the location factors at the time of the FDI decision. Respondents were asked the following question: '*How important were the following factors in your decision to choose Oman as a location for the equity venture?*' They were assessed using five-point scale from '1 = of no importance', '5 = of major importance'.

The Oman Chamber of Commerce & Industry (OCCI) and Muscat Security Market (MSM) record all foreign equity ventures operating in Oman. The trade directory of the OCCI provides the name, address and information about sector of the companies operating in Oman and MSM represents the overall population of FDI, total paid-in capital, proportion of foreign equity share holding, location of the investment and entry date.

The 200 foreign equity ventures (FEV) which constitute the sample for this study were drawn randomly from the 612 FEV registered as of December 1998 (32% of the total population). Insert Table to summarize the data. To test the effect of country/region of origin, four regions were chosen: GCC states, European Union (EU), USA, and Japan and South Korea (Asian). The names and contact address of CEOs and General Managers of each foreign partner were compiled from a number of business directories (Trade Directory, 1997– OCCI – 2nd Edition, Kompass Oman, MSM report 1998 and OCIPED). From the end of December 1998 until the end of April 1999, questionnaires were mailed, faxed and some hand over to the respective identified companies. A total of 106 questionnaires were returned, which gives a response rate of 53%. Almost 90% of the responses were returned by fax and remaining through mail and hand delivery. All responses were from the first wave of questionnaires. According to the test of measures of innovation, alpha (α) = 0.8926 which means highly acceptable reliability of the questionnaire used in this research.

[TABLE 3 ABOUT HERE]

The final sample is composed of 106 foreign equity ventures and wholly owned firms. Of this sample, 12.3% were 100% foreign owned, 5.7% were at least 60% but not 100% foreign owned, 15.1% were at least 50% but less than 60% foreign owned, 20.8% were at least 40% but less that 50% foreign owned and remaining 46.2% were between 10% and 40% foreign ownership.

The sectors of activity were categorised into a group of eight sectors of the foreign equity ventures as follows: commerce, wholesale and retail trade represented 20.75%, services sectors, which includes health and education were 19.81%, petroleum, gas and mining were 14.5%. Industry and manufacture sectors were 16.04%, construction and real estate were 20.75% and financial, agriculture and fisheries and hotel and tourism were less than 10%.

Data Analysis

To determine whether foreign firms perceive location-specific motives differently in Oman, Friedman's test was used. Friedman's test is a non-parametric procedure which tests whether two or more variables come from the same distribution. Applying the test on the fifteen motives tested in this research yielded a chi-square statistic of 392.7 with 14 degrees of freedom. The p value was less than 0.001. To confirm the result, Kendall's coefficient of Concordance was also calculated. This gave the value of 0.298 which was highly significant. Thus, both statistics suggest a significant difference in the ranking of these motives.

The overall Friedman's Mean Ranks (FMR) and Means of motives for FDI in Oman is shown in table 4. The table reveals that *political stability* (FMR = 11.72, mean = 4.7) and *economic stability* (FMR = 10.53, mean = 4.5) are the two most important motives for FDI in Oman. The other three most important motives deemed most important by foreign investors are *repatriation of profit, investment incentives* and *legal reforms* respectively. Contrary to expectations, *purchasing power of customers* (FMR = 5.48, mean = 3.34), *market size* (FMR = 5.13, mean = 3.22) and *availability of low cost inputs* (FMR = 4.11, mean = 3.12), which have been highly publicised in Oman's publicity literature, are the least desirable factors respectively.

[TABLE 4 AND 5 ABOUT HERE]

Motives for FDI and Country of Origin

In order to determine whether any significant differences exist between the four regions on the ranking of the FDI motives, a One-Way ANOVA test was performed for each of the fifteen FDI motives. An examination of the histograms of the fifteen factors, revealed that the distributions of six variables (political stability, economic stability, government policy, repatriation of profits, investment incentives, and growth rate) were skewed. Thus, the ANOVA tests should be taken with caution. For the remaining variables, however, the normality assumption can be taken since the distributions appear to be symmetric. To increase the reliability of our analysis, we supplemented the ANOVA tests with a non parametric Kruskal Wallis (K-W). The latter test is robust to departure from the normality assumption which is essential for the ANOVA test. With one exception, the two tests lead to identical conclusions as can be seen from Table 5. The tests indicate that nine factors are significantly different across the four regions. The remaining six motives that were not significantly different across all regions were: political stability, economic stability, availability of investment incentives, level of infrastructure, geographical proximity, and availability of tax advantages. The data analysis shows that the perceived difference in the importance of the various motives is more likely to occur at the lower ranking level. Indeed six out of the nine significantly different variables are found at the bottom of the ranking list. This could be taken as evidence to suggest that investors from different regions are, on average, more likely to agree on the importance of crucial motives and tend to disagree about the importance of low ranking motives.

Since the One-Way ANOVAs and K-W results for motives only reveal that differences exist between the four regions, and not which regions differ from one another, additional analysis by means of the Post Hoc LSD test was used to compare the score of each region with every other region. The Post Hoc LSD test's results on all statistically significant factors are shown in Table 5.

The Post Hoc LSD test's reveals some interesting results. In eight out of nine cases, firms from the EU have the lowest mean scores, which means that EU investors give significantly less importance to the eight factors than the other three regions. In brief, government policy, economic growth, access to markets, transportation cost, competition, purchasing power, and market size are relatively less important for EU investors than for the other regions.

As far as *repatriation of profit* was concerned, investors from GCC countries scored significantly lower than those from EU, US and Asia. This is perhaps due to the free movement of capital among GCC countries, which makes this factor a less important motive for GCC investors.

[TABLE 6 ABOUT HERE]

Motives for FDI and Sector of Activity

The one-way ANOVA test and K-W tests were used to identify the importance of the host country incentives against the sector of activity. Our sample had only two cases from the agriculture and fishing sectors. These sectors were therefore discarded. The test statistics for the difference in Mean perception by sector of activity are summarized in Table 6. Both K-W and ANOVA tests showed that, with the exception of *market size* there was no significant difference in perception of motives among the five sectors. For *market size*, the LSD test revealed that the manufacturing sector's Mean was significantly lower than building and construction, commerce and service sectors at the 5% level of significance. These latter three sectors were not significantly different from each other. This difference could perhaps be due to the fact that the last three sectors depend primarily on local demand, since banking and construction sectors' products are hardly exportable.

Discussion

The findings of the present study indicate that *political stability* and *economic stability* are the two most important motives for investing in Oman. These results support those who have noted that, in developing countries, political and economic stability are *sine qua non* for attracting FDI. These two factors, however, do not differentiate countries and make them more attractive for FDI. They are a threshold that all countries, and in particular developing countries, must achieve in order to be considered for FDI (UNCTAD, 1998). Put differently, they are prerequisites for foreign investment to take place, but on their own do not attract foreign investment. Furthermore, the data analysis seems to suggest that recent changes such as allowing foreign investors to repatriate their profit, providing them with several investment incentives and offering more legal protection are playing a key role in the investment decision. Contrary to expectations, *purchasing power of customers* (FMR = 5.48, mean = 3.34), *market size* (FMR = 5.13, mean = 3.22) and *availability of low cost inputs* (FMR = 4.11, mean = 3.12), which have been highly publicised in Oman's publicity literature, are the least desirable factors respectively. Interestingly, the findings indicate that the *purchasing power of customers* which has been highly publicized by government bodies and popular media in Oman as a key motive to attract FDI, was not regarded as important by foreign firms when choosing Oman as a location for their FDI. This is probably due to the small size of the population. Accordingly, we suggest that less emphasis should be put on this factor when promoting Oman as a location for FDI.

The findings support the first proposition. They lend credence to the argument that location determinants of inward FDI differ significantly for different country groups. Data analysis revealed that the appeal of motives is significantly different to investors from different regions. Firms from other GCC countries were not attracted by the "ability to repatriate profit" as much as Asian, US, and EU firms. This is not surprising, as firms from GCC countries have always been allowed to move their capital freely within the GCC region. That is while strong emphasis on free movement of capital is a warranted initiative when targeting Asian, EU, and US firms, it is unlikely to yield effective results when targeting investors from GCC countries.

As far as the second proposition is concerned - host country selection and sector of activity, we could not find evidence to support it. The analysis of data reveals that different sectors did not put significantly different emphasis on location motives, except for market size. The rejection of the second proposition is not necessarily surprising. While some scholars suggested that the sector of activity was of importance, empirical studies in the past have not produced consistent results.

Summary.

Since the early 1990s, Oman has embarked upon an investment-liberalisation path in an effort to raise the small level of FDI inflows. The accelerating process of FDI liberalisation has led Oman to extend more open policies into areas of industry and commerce long considered sensitive, and to permit forms of FDI entry previously considered less desirable. In this article, we have attempted to examine the key determinants for FDI in Oman. The data analysis revealed that political stability and economic stability were the two top determinants of FDI in Oman. Most notably, the findings revealed that the highly publicised "purchasing power of customers" was not seen as key motivators for engaging in FDI in Oman. The findings do provide support, albeit limited, for the first prediction, that investors from different regions and countries will put different emphasis on different motives. These findings indicate that Oman needs to determine the country of origin of the targeted investors and match the incentives offered with the needs and wants of these investors and to promote these motives accordingly. The findings do not support the premise that different sectors perceive FDI incentives differently.

The main policy implications for Oman are: (i) Approach all sectors with a uniform promotion. Banking and construction are more interested on market size sectors but not manufacturing. (ii) Adopt a combined strategy to highlight relevant motives. (iii) Capitalise on the top four motives, namely political stability, economic stability, government policy towards FDI, and investment incentives.

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Table 1: Omani Investment and Foreign Capital Investment in Oman (1992-1998)

Nationality	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Oman	110,407	135,991	139,807	162,394	175,045	74,362	83,152
Gulf Countries	28,314	30,028	30,199	30,935	38,898	7,119	7,406
Arab Countries	10,228	10,400	10,645	12,275	12,938	6,538	8,784
Foreign Countries	32,467	31,733	34,480	53,501	58,133	37,927	43,335
Total	181,416	208,153	215,133	259,106	285,014	125,947	142,677

Table 2. FDI in Oman by Sector of Activity (US $ 000)

	1996	**1997**	**1998**	**1999**
Trade	47086	25371	65073	116377
Industry	27675	16896	17462	263364
Financial	104564	14112	14112	1100000
Transport	35836	39473	45094	48730
Services	63688	10390	11691	105901
Others	6748	800	1185	19125
Total	285634	133987	154616	663496

Compiled from data GOIC (March 2001, pp. 50-52).

Table 3. Country of origin of participated foreign equity ventures

Country-of-origin	Number	Percentage
GCC states	49	46.2
Asian countries (Japan and Korea)	17	16.1
European Union	26	24.5
United State of America	14	13.2
Total	106	100

Table 4. Friedman's Mean Ranks of Motives for FDI in Oman.

Motives	Mean Rank	Mean	St. Dev.
Political stability	11.72	4.7128	.6156
Economic stability	10.53	4.4894	.7724
Government policy towards FDI	9.79	4.2553	.8157
Availability of investment incentives	9.16	4.1064	.8856
Growth of Oman Economy	9.12	4.0957	.8929
Repatriation of Profit	8.85	4.1383	.9683
Level of infrastructure	8.52	4.0426	.7748
Geographical proximity	8.44	3.9787	.9272
Access to neighbouring markets	8.29	3.9255	.9531
Availability of tax advantages	7.57	3.9043	.6570
Transport & Communication costs	6.82	3.7128	.8115
Level of industry competition	6.47	3.6702	.7950
Purchasing power of customers	5.48	3.3830	1.0065
Market size	5.13	3.2553	1.0869
Availability of low cost inputs	4.11	3.1064	.9779

N=106.

Table 5. Test for Regional Mean Differences in Importance of Motives for FDI in Oman.

	Chi Square (K-W).	Sig. (K-W).	F	Sig. Anova	Multiple Comparisons, LSD[(1).]
Political stability	1.548	.671	0.61	0.606	
Economic stability	2.452	.484	0.51	0.677	
Government policy towards FDI	**10.089**	**.018**	**2.46**	**0.068**	EU < GF = US = Asian
Availability of investment incentives	3.562	.313	0.505	0.680	
Growth of Oman Economy	**8.766**	**.033**	**2.81**	**0.044**	EU < GF[(2).] = US = Asian
Repatriation of Profit	**20.593**	**.000**	**7.37**	**0.000**	GF < EU = US = Asian
Level of infrastructure	5.296	.151	1.67	0.178	
Geographical proximity	5.861	.119	1.66	0.180	
Availability of tax advantages	6.357	.095	2.34	0.078	
Access to neighbouring markets	**12.570**	**.006**	**3.25**	**0.025**	EU < US = GF[(3).]
Transport & Communication costs	**17.711**	**.001**	**6.26**	**0.001**	EU < GF = US = Asian
Level of industry competition	**14.782**	**.002**	**4.33**	**0.007**	EU < GF = US = Asian
Purchasing power of customers	**25.093**	**.000**	**10.70**	**0.000**	EU < GF = US = Asian
Market size	**21.922**	**.000**	**8.31**	**0.000**	EU < GF = US = Asian
Availability of low cost inputs	**18.792**	**.000**	**7.32**	**0.000**	EU < Asian = GF < US[(4).]

[(1).] The comparison is based on the Post Hoc LSD test which uses t tests to perform all pairwise comparisons between group means. Unless indicated, all differences were significant at the 5% level or lower. The sign '<' means 'significantly smaller than' and '=' means 'not significantly different from'.
[(2).] The mean for the Gulf was greater than the EU's at the 10% level.
[(3).] The US was greater than EU at the 6% level. The Asian was not significantly different from any other areas.
[(4).] The Asian was greater than EU at the 6% level.
N=106.

Table 6. Mean Differences by Sector of Activity for the Importance of Motives for FDI in Oman.

Motives	Chi-Square (K-W).	Sig.	F (ANOVA).	Sig.
Political stability	8.616	.071	1.767	.142
Economic stability	7.557	.109	1.343	.260
Government policy towards FDI	2.621	.623	.338	.851
Availability of investment incentives	1.370	.849	.479	.751
Growth of Oman Economy	.773	.942	.176	.950
Repatriation of Profit	3.339	.503	.778	.543
Level of infrastructure	1.718	.787	.260	.903
Geographical proximity	2.102	.717	.554	.696
Availability of tax advantages	7.412	.116	1.716	.153
Access to neighboring markets	7.148	.128	1.586	.185
Transport & Communication costs	1.664	.797	.405	.804
Level of industry competition	.152	.997	.032	.998
Purchasing power of customers	3.073	.546	.984	.420
Market size	**10.186**	**.037**	**2.870**	**.028**
Availability of low cost inputs	1.530	.821	.510	.729

N=104.