

POLICY BRIEF

A summary for decision making of key research findings



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NRE Policy Brief
May 2025

Strong Patent Protection, Smarter Trade: Policy Insights for Economic Diversification in Oman

Summary

"A complex interplay is demonstrated, indicating that the impact of Intellectual Property Rights (IPR) and patent protection varies in certain trade contexts. While strong patent protection boosts overall exports and encourages technology-intensive imports, it may also constrain manufacturing trade. These findings underscore the nuanced role of IP policy in emerging economies and emphasize the need for carefully calibrated reforms aligned with each sector's level of readiness."

Intellectual property rights (IPR) have a complex interplay with international trade, showing divergent effects depending on context—ranging from market expansion that attracts foreign investment to market power effects that may limit technology diffusion. This dynamic is particularly relevant for developing, oil-dependent economies like Oman. Stronger intellectual property rights (IPR) can stimulate innovation and attract foreign investment, but they may also limit technology access in developing countries by raising barriers to imitation. The impact of IPR on trade depends on a country's innovation capacity, economic structure, and labor dynamics. While developed nations often benefit from strong patent systems to boost exports and protect their industries, developing economies may face challenges due to limited R&D capacity. Many advanced economies use trade agreements to expand IPR standards globally. Oman, like other GCC countries, has enhanced its IPR regime through such agreements, yet the overall impact on its trade performance remains unclear.

Key messages

- Strong patent protection boosts Oman's overall exports and encourages high-tech imports by enhancing investors' confidence.
- Manufacturing exports show limited improvement, pointing to slow domestic innovation and industrial capacity.
- In countries with strict IPR regimes, Oman's exports may decline, especially in manufacturing sectors.
- Trade agreements, like the U.S.-Oman FTA, have raised IPR standards and imposed new constraints on policy flexibility.
- A balanced IPR approach is essential, promoting foreign investment while enabling local industry development.
- Targeted R&D support, capacity-building programs, and flexible licensing are needed to strengthen local firms.
- Intellectual property reforms should align with Oman's broader economic diversification agenda.
- Sector-specific IP strategies can help bridge readiness gaps and foster sustainable, innovation-driven trade growth.

Background

Oman, like many Gulf Cooperation Council (GCC) countries, is seeking economic diversification beyond hydrocarbons. In this pursuit, strengthening its intellectual property system has become a strategic priority, especially following the U.S.-Oman Free Trade Agreement and accession to global IP treaties. However, the effects of such strengthened IPR regimes on trade—especially in the context of technology transfer, market access, and innovation—are not straightforward. While IPRs may attract high-tech foreign goods and investment, they might also restrict local industries' ability to innovate through imitation and increase the cost of essential imports.

Method

This PhD study developed a **patent index for Oman** based on the Ginarte-Park (1997) and Park (2008) methodologies, incorporating 5617 patent applications from 2002 to 2021. It further employed a **gravity model** to assess trade flows between Oman and 196 exporting and 136 importing countries. Key independent variables included GDP, distance, trade agreements, IPR index, and patent index for both Oman and its trade partners. The model used **Poisson Pseudo-Maximum Likelihood (PPML)** estimators with fixed effects to account for heterogeneity, zero trade flows, and multilateral resistance.

Key findings

Patent Index Score

Figure 1 shows a significant and sustained rise in Oman's overall patent score starting in 2006, coinciding with its accession to the U.S.-Oman Free Trade Agreement and the enactment of Industrial Property Law 67/2008. This upward shift reflects enhanced legal enforcement mechanisms, broader patentable subject matter. This indicates rapid institutional reform, and remained stable thereafter, signaling consistent policy implementation.

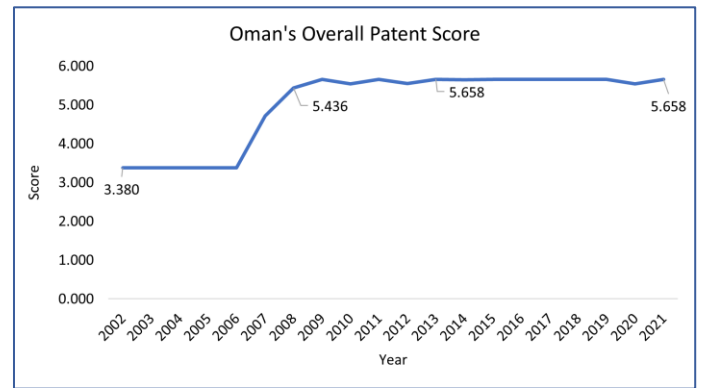


Figure 1: The Overall Patent Index Trend (2002–2021)

Figure 2 highlights substantial growth across most components of Oman's patent index, particularly, in enforcement. These improvements reflect legal and institutional reforms undertaken after Oman's accession to major trade and IP agreements. Notably, enforcement and coverage scores rose sharply, indicating stronger legal provisions and broader scope of patentable inventions. Patent application procedures also improved, contributing to overall index gains.

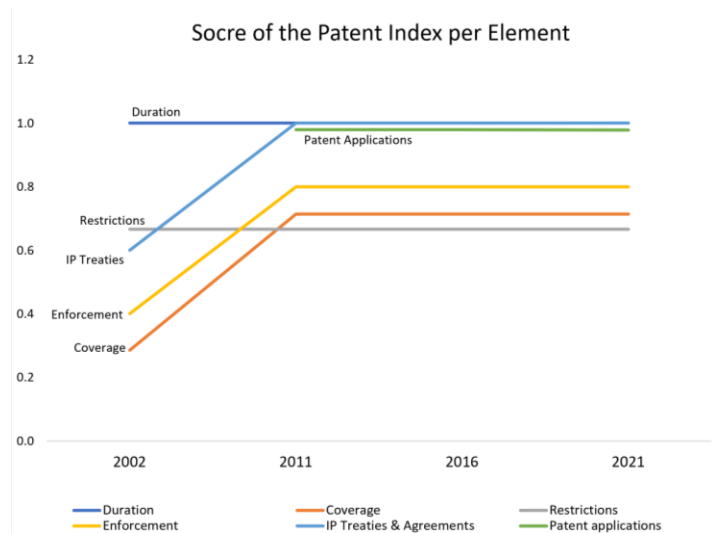


Figure 2: The Patent Index Score per Element (2002–2021)

Export Trends

While strong IPR boosts Oman's overall exports by increasing foreign confidence and signaling regulatory maturity, it has limited impact on manufacturing exports due to structural challenges such as low R&D capacity, limited product sophistication, and workforce skill gaps. These factors restrict domestic firms' ability to fully leverage stronger IP protections.

Import Trends

Strong patent protection drives high-tech imports and facilitates technology transfer by assuring foreign innovators of legal safeguards. However, it may reduce overall import volumes due to higher licensing fees, compliance costs, and stricter market entry conditions—particularly for sectors reliant on affordable technology access or generic goods.

Trade Partners’ IPR Effects

Oman’s exports to countries with strict IPR regimes decline, especially in manufacturing, due to higher compliance barriers and reduced competitiveness. Conversely, imports from these countries rise as they are more likely to engage with Oman’s now stronger IP regime, particularly in sectors requiring secure intellectual property enforcement.

Dependent Variable	Export		Import	
	Overall Trade	M. Trade	Overall Trade	M. Trade
IPR (Oman)	+		–	–
Patent (Oman)	+			+
IPR (trading partners)	–		+	+
Patent (trading partners)		–	+	+

Table1: A concise snapshot of outcomes

Conclusions

Policymakers in Oman and similar oil-dependent economies must recognize the dual impact of strong patent protection. While it can boost trade and technology access, it may also hinder the growth of emerging domestic industries. A balanced, sector-specific IP strategy is an essential one that aligns with industrial policy and supports local firms through targeted R&D incentives, capacity-building, and flexible licensing. Policymakers should adopt a phased approach to IP reform, ensuring enforcement remains adaptive and inclusive. By engaging stakeholders and fostering innovation, they can strike the right balance between attracting foreign investment and empowering sustainable, homegrown economic development.

Acknowledgment

This project is part of a PhD research, and results are published in the Journal of World Intellectual Property, 2024;1–23.

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