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IDENTIFYING AND REVALUATING BARRIERS TO FOREIGN DIRECT INVESTMENT INFLOWS UNDER OLI ECLECTIC PARADIGM: A CASE OF SULTANATE OF OMAN

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Abstract

The study aims to identify and re-evaluate the barriers to Foreign Direct Investment (FDI) inflows under Dunning's OLI eclectic paradigm (ownership advantages, locational advantages, and internalisation advantages) that are an essence of government policy that restricts or impedes decisions on the location and mode of investments. In Sultanate of Oman, barriers to foreign direct investment inflows comprise exclusion of foreign investors to certain economic activities, imposition of localization quotas, foreign ownership caps, discriminatory requirements on joint ventures and acquisitions, foreign ownership screening, notification and bureaucratic hurdles, overt and covert procedural delays in approvals, and operational restrictions. In this study empirical and policy data on Foreign Direct Investment in Oman was collected from National Centre for Statistical Information (NCSI), World Trade Organization (WTO), Transparency International, International Monetary Fund (IMF), FDI Intelligence, Oman Investment Authority, World Economic Forum, Bureau of Business & Economic Affairs-US Dept. of State, research publications in Business Source Premier, ScienceDirect, Elsevier, Scopus and SpringerLink. The OLI framework was further subdivided into 23 variables. For each variable a 'three letter' notation was created, and barriers were identified and re-evaluated against the findings. Findings indicated a significant correlation between OLI factors and FDI to which ownership, i.e., modes of entry and location barriers played a significant role followed by internalisation barriers. FDI barriers and restricted market access have made the domestic Omani market too small for certain large-scale investments that require minimum economies of scale to be viable. Many of the government incentives to attract FDI have become unsustainable in the long run. To overcome the ill-effects of restrictive policies, Sultanate of Oman should undertake multilateral steps to enhance the overall investment climate and increase the inflow of FDI. This will help realize the economic diversification initiative of Oman Vision 2040. With this perspective in view, the first part of the paper sheds light on aspects inherent in policy implementation, the second part identifies and reviews the FDI barriers faced by firms and categorizes them under Dunning's OLI eclectic paradigm, and the third part deals with economic policy recommendations for Sultanate of Oman.

Keywords: *Barriers, drivers, Foreign direct investment, OLI eclectic paradigm, JEL classifications: F21, O53*

1. Introduction

Sultanate of Oman a founding member of GCC trade block, has restricted foreign firms to do business in the country (IMF, 2018). Being a rentier economy, it is characterized by strong external rent earnings from oil and gas revenues without the need for a strong domestic production sector. Siddique (2018) states that **s**ince rent is derived from the sale of petroleum to the state and not individuals, Sultanate of Oman's macroeconomic landscape is a government demand driven model The attitude, and restrictive practices towards unrestricted capital flows have arisen from widespread concern over the loss of national sovereignty and control. Despite a growing consensus on the benefits of inward FDI, firms entering Sultanate of Oman continue to experience significant barriers resulting in declining flows vis-à-vis other countries. (Investment Climate Statements, 2023).

Oman Vision 2040, a twenty year (2020-40) nationwide multi-sector planning document on investment promotion initiatives has been marred by underlying attempts to impose barriers to entry and free access to FDI in the country. Sultanate of Oman is being still short sold in the international business environment without any efforts to promote free access of FDI in the country. FDI inflows to Sultanate of Oman over a period of five years from 2019 to 2023 are shown in Table 1 below.

Table 1: Sultanate of Oman: Inward FDI (2019-23)

Year	Total FDI Inflows ($ millions)
2019	4236.67
2020	2889.47
2021	4020.81
2022	3715.65
2023	5954.01

Source: UNCTAD, World Investment Report 2023

Given its FDI potential, inward FDI data shows that despite an increase in inflows, Sultanate of Oman has underperformed compared to the other countries in Middle East and North Africa (MENA region) (UNCTAD, 2023). Job quotas for nationals on a sectoral basis have led to a skewed labour market that is biased against expatriate manpower. To an extent in the post-covid scenario it is evident from decline in FDI inflows between the year 2021-22.

UK continues to be the biggest investor for inward FDI in Sultanate of Oman followed by US and UAE. Despite enhanced institutional structure, there is still a gap between economic liberalization and deregulation policies and their execution. Cumbersome government procedures and bureaucratic delays discourage MNC firms from undertaking investment.

Table 2: Sultanate of Oman: Top five sources for Inward FDI

Country	FDI Inflows inward $ million) Q3 (2022)
United Kingdom	23,658
United States	6,539
United Arab Emirates	2,898
Kuwait	2,728
China	2,351

Source: National Centre for Statistical Information, Yearbook 2022

Uncertain oil revenues stemming from erratic oil production cuts, yawning fiscal deficit, and inadequate internal savings in accordance with the investment demand are a stark contrast in the post covid scenario. Of late a mix of prudent fiscal management, a large budget surplus, state financing of subsidies and large-scale infrastructure projects, availability of abundant cheap and skilled expatriate labour, double GDP growth rate, stable exchange rates, low corporate and income tax free economic environment have drawn the attention of multinationals to undertake increasing number of Greenfield investments in the country.

Table 3: FDI breakup: Sultanate of Oman (USD) 2020-22

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow *(million USD)*	2,889	4,021	3,716
FDI Stock *(million USD)*	41,841	45,844	49,560
Number of Greenfield Investments*	24	35	50
Value of Greenfield Investments (million USD)	6,205	4,708	10,005

Source: World Investment Report 2022, UNCTAD

Overall, FDI inflows into GCC economies fell to USD 37 billion in 2022. The UAE was the highest recipient of FDI with $22.73 billion, followed by Saudi Arabia $ 7.89 billion. Sultanate of Oman came third with 3.72 % followed by Kuwait 758 million, Bahrain 1.95 billion and lastly Qatar 76 million (UNCTAD World Investment Report, 2023).

The highest recipient of Foreign Direct Investment (Net inflows as a % of GDP) between 2018 and 2022 in GCC region was UAE with 4.48 percent. Table 3 shows FDI net inflows as a percentage of GDP.

Table 4: Foreign Direct Investment (Net inflows % of GDP)

Country	2018	2019	2020	2021	2022
Bahrain	0.29	3.88	2.90	4.49	2.90
Kuwait	-0.02	0.38	-0.59	-0.20	0.41
Oman	6.49	4.97	3.87	4.55	3.87
Qatar	-1.19	-1.60	-1.69	-0.60	0.03
KSA	0.54	1.70	0.77	2.20	0.70
UAE	2.46	4.28	5.54	5.00	4.48

Source: Compiled from https://data.worldbank.org/

2. FDI barriers

A FDI barrier is stated to be a government policy that restricts and skews decisions on the location and mode of investments. Policy measures that are biased against limits on the level of foreign investment or delayed approval processes to convince authorities that FDI investment is not in the national interest of the host country, fall in this category. Barriers are all pervasive as they occur in every economy and sector.

UNCTAD World Investment Report (1996) has cited 57 different kinds of FDI barriers of which 15 types are establishment restrictions, 17 types of ownership and control restrictions, and 25 types of operational restrictions. Measures under each category range from explicit limits on the amount or kind of FDI to ambiguous laws that may or may not be binding on projects or have any noticeable influence on investment or returns.

3. Literature review

There is a vast variety of empirical literature that is available on the reasons why countries restrict inward FDI. Since classifying restrictions is difficult, most studies are limited to counting restrictions. Shrestha & Eudelle (2017) studied the FDI in Oman and Singapore as cases. They discussed the importance of improving and increasing productivity and its association with economic growth. It was found that barriers and distortions in trade flows lead to trade reduction, diversion, and compression.

The rigor of restrictions is weighed based on their significance. For e.g. a ban on foreign ownership is much more restrictive than screening requirements. Despite constraints, one of the drivers for the growing trend of FDI flows is the presence of business-friendly institutions, government policies and regulations. (Dunning, 2004). There are significant differences in the perception of some barriers considering the location of firms, mode of establishment, sector of activity in different economic regions of the world.

Mellahi et al. (2003) studied the economy of Oman and suggested that the economy of Oman needs to reformulate policies regarding business startup procedures because it's a big obstacle for investor to proceed. Wagle (2010) echoed similar views on FDI regulations developed and imposed by host countries on startup of foreign ventures disrupt the confidence of investors and adversely affect FDI inflow.

Ibrahim and Abdel-Gadir (2015) analyzed Oman's FDI during the period 1980 to 2013 and found that inflation rate, market size and government expenditures are the main determinants influencing FDI inflows. Pauceanu (2016) opined that low cost of doing business and big market size is necessary in Oman. Alraja, Hammami and Samman (2016) stressed upon the necessity of Information and communication (ICT) development in Oman and easing of related policies.

Overall research studies on FDI barriers in GCC countries are scant as most literature concentrates on determinants and their limits in foreign operations. In other parts of the world too, FDI barriers are mostly related to macroeconomic political and institutional instability. Unstable legal framework, bureaucratic hurdles, corruption, crime & mafia, are major investment barriers globally (Bitzenis, 2009).

3.1 Conceptual framework

Pauceanu (2016) has affirmed that the existence of barriers and challenges has constrained the economic environment of Sultanate of Oman. By contextualizing the basic framework under Dunning's (1980, 1988, 1995) OLI eclectic paradigm, 'ownership, location and internalisation', broader theories of international production and firm growth can be stated –

(a) Ownership advantages – These advantages comprise assets in comparison to rival firms that cannot be imitated and are therefore a source of competitive advantage.

(b) Location advantages – It refers to the potential of a firm to take advantage of resource endowments in overseas markets. Cost and risk of investment, access to markets and market competition are the main criteria. The four investment interests are resource seeking, market seeking, efficiency seeking and strategic asset seeking. (Dunning, 1993).

(c) Internalisation advantages – It refers to the transaction costs that lead to value chain activities in 'make' or 'buy' decisions. A firm must take advantage of core competencies given the location advantage in the host country.

In 1995, Dunning changed the eclectic paradigm into a dynamic concept arguing that the multinational firms' OLI parameters will vary in response to their own development or those of competitors.

3.2 Methodology

A keyword search for 'FDI barriers in Sultanate of Oman's Investment Climate' was conducted across online databases like National Centre for Statistical Information (NCSI), World Trade Organisation (WTO), Transparency International, International Monetary Fund (IMF), FDI Intelligence, Oman Investment Authority, World Economic Forum, Data monitor, Bureau of Business & Economic Affairs-US Dept. of State, Business Source Premier, ScienceDirect, Elsevier, Scopus, SpringerLink for publications. Keywords included inward FDI, FDI barriers in Sultanate of Oman, Dunning's OLI eclectic paradigm, etc. to retrieve relevant studies with a holistic approach. The PRISMA (Preferred Reporting Items for Systematic reviews and Meta-Analyses) method was used to validate the research process.

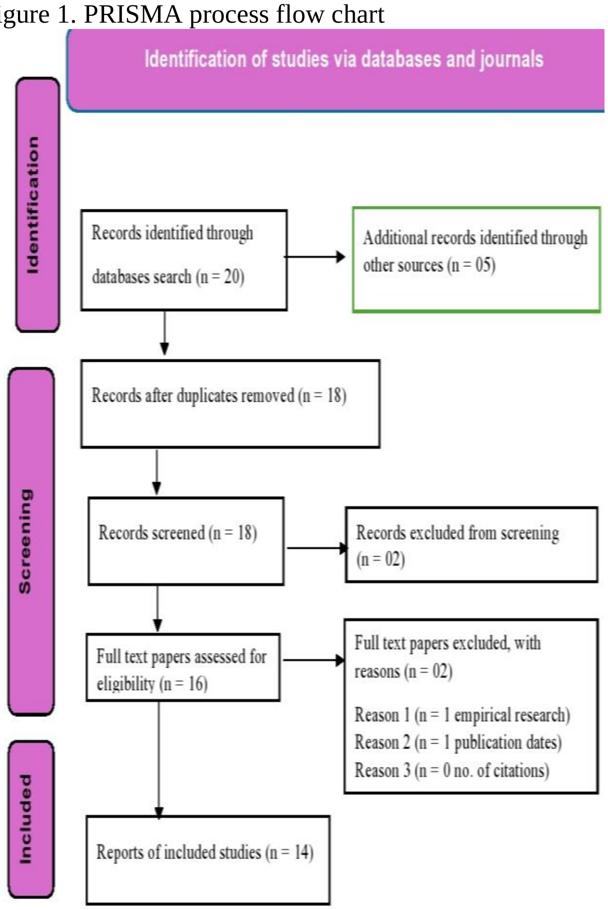
By deploying a structured PRISMA, the online databases, reports and abstracts of the review literature were screened independently for any discrepancies. Limited by publication dates (last 3 years), full text, citation counts etc. records were obtained and entered in the flowchart. The empirical literature collected was classified into Dunning's Eclectic Paradigm i.e. Ownership, Location, and Internalisation advantages.

3.3 Data collection

The empirical data and consequent policy implications for this research are based on secondary sources comprising empirical data retrieved from the above-mentioned sources. The barriers were then identified and classified as per Dunning's OLI eclectic paradigm. Despite time constraint, areas of operations and details of variable notations were worked out in detail.

The basic approach adopted in this research is to identify and re-evaluate the types of restrictions imposed on FDI inflows by Oman. The correlation between the dependent variable FDI and the other independent OLI variables was found to be significant.

Figure 1. PRISMA process flow chart



Source: adapted from Trifu, A. et. al (2022)

The PRISMA flow diagram was completed, and the systematic review revealed that, overall, 14 studies with high impact theoretical research as evidenced by a minimum of 20 citations, to identify key contributions to theory were selected. Altogether, 14 studies were published between 2012-22.

4. Findings and discussion

Although it is difficult to summarize and classify restrictions, the findings of the research study and the respective barriers identified as per Dunning's OLI eclectic paradigm have tried to fill the gaps in the existing literature. Rieger (2019) has argued that it should be acknowledged that Sultanate of Oman, like any other country in the world, has its own distinct local nature resulting from demographics, political system, economic status of people, history of society etc. However, the country should modify its investment climate and economic interests by introducing a more level playing field to foreign investment and compliance with international practices.

Sultanate of Oman is a party to the 'Technical Barriers to Trade Agreement' and member of World Trade Organization (WTO). The country is also signatory and a member of the International Labour Organization (ILO) but has ratified only four of the eight core ILO standards. The Corruption Perception Index ranks Sultanate of Oman 70th, globally, with a score of 49/100 out of 180 countries (Corruption Perceptions Index 2023). However, neither there is any 'watchdog' organization to monitor corruption nor any legislation to protect 'whistleblowing'. This further aggravates the bureaucratic obstacles to foreign investment inflows.

The findings from the study have been summarized in Table 5 as follows:

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Table 5: Summary of variables (notations) and barriers

No.	Variable names	Notation	Proxy	Findings	Barriers ranked as per Dunning's OLI paradigm
A	**Ownership Specific Factors**				
1	Size of Business firm	SBF	Measured in terms of employee strength or sales volume.	Most firms have 20-500 employees. Smaller size restricts economies of scale and scope in production and distribution.	Mandatory Omanisation percentage except in Special Economic Zones (SEZ)
2	R&D Intensity	RDI	Measured as the percentage of the group's turnover on R&D.	Foreign firms spend higher percentage of sales turnover on R&D leading to outperformance over domestic firms	Patents, copyrights etc. restrict higher productivity and innovation
3	International Business experience	IBE	The number of years the company has been active in worldwide operations, as well as the number of countries in which it operates, are also factors to consider.	Multinational firms considered the first year of investment important. They wanted to introduce advanced technologies and managerial knowhow from their global branches.	Mode of FDI entry into Greenfield versus Brownfield investment is subject to approval by Foreign Capital Investment Committee. Foreigners (except for GCC & US citizens) cannot own more than 70 percent share in an Omani company.
B	**Location Specific Factors**				
	Business climate:				
1	Agglomeration benefits	ABN	Measured as accruals from agglomeration benefits.	FDI is concentrated in specific sectors like logistics and heavy industry. Productivity and innovation spillovers take place with linkage to domestic firms.	Crowding out effect reduced synergy in operations. Absorption capacities measured as performance gaps build up between foreign and domestic firms.
2	Laws and regulations	LRS	Measured as an indicator of Oman's economic deregulation to investment.	The Minimum Wages Act came into effect on July 01, 2013. It stipulates OMR 325 per month (OMR225 basic +OMR100 allowance) and mandatory Omanisation. Trade Unions are not allowed to undertake collective bargaining and right to strike is not permitted.	(i) Restrictions on the legal form of the foreign entity ventures and professions, ownership, and control of FDI Greenfield investments and cap on re-investment and recycling of profits. (ii) List of 70 commercial activities, under Foreign Capital Investment Law (FCIL) that cannot be undertaken by foreign investors (Ministerial decision 209/2020)

					(iii) Courts enforce exclusive privilege to reinstate nationals and mandate severance pay. (iv) Ministerial decision 235/2022 bans work visas for expat manpower in more than 200 professions.
3	Corporate taxes	CTX	Measured as an indicator of corporate tax rates and transparency in business and contract laws.	Higher rates of taxes and surcharge on corporate profits in India motivated firms to undertake FDI in Oman	Negative effect on the growth of productivity in companies with higher profitability. Issues of double taxation.
4	Trade agreements	TAG	Measured in terms of efforts to avoid double taxation.	Oman has free trade agreements with USA, Singapore, Iceland, Liechtenstein and Norway and Switzerland	Sourcing of parts by foreign firms is reduced. Selective 'MFN' status to countries
5	Access to neighbouring markets	MKT	Measured as an indicator to access GCC and African markets.	Labour laws are difficult to enforce	Sponsorship (kefala) system led to restricted mobility of labour.
6	Cultural distance	CDS	Measured as a relationship between geographical proximity and similar work culture.	Expat workforce enjoyed a shared work culture with locals	Language and cultural barriers
Economic climate:					
7	Exchange rate fluctuations	EXF	Measured as a peg between Riyal Omani (OMR) and US $.	Omani riyal (OMR) is pegged to USD at fixed rate since 1986 (USD $ 2.6008)	Higher cost of entering the market and imported inflation
8	Inflation level	IFL	Measured as a relationship between Cost-push inflation and productivity.	Higher marginal cost of production arising from imported factor and non-factor inputs	Higher cost of imported raw materials leads to 'Cost-push' inflation
9	Oman Govt's FDI policy	OGF	Measured in terms of 'Ease of doing Business' and FDI inflows.	Liberalized and selective in favour of corporates	Restrictions on awarding operational permits to foreign firms in select areas
10	Tax incentives on FDI	ITX	Measured in terms of corporate tax holidays exceeding 25 years.	Available to FDI investments in Special Economic Zones (SEZ)	Absence of liberalized tax regime
11	Educational level	EDU	Measured in terms of Human Capital development vis-à-vis productivity.	Locally available manpower has limited skills Expensive expatriate manpower	Minimum wage law for citizens. It stipulates OMR 325 per month (OMR225 basic +OMR100 allowance)
12	External factors	EXT	Measured in terms of the role played by Chambers of Commerce and NGOs in promoting FDI.	Loss of national sovereignty and control arising from unrestricted capital flows of multinationals.	Banning foreign investment in nationally sensitive sectors like defense, telecommunication etc.
13	Geographical proximity	GPT	Measured as a positive correlation between physical distance and similarity in work culture.	Easy access to raw materials and proximity to markets in Gulf and Africa	Only select locations offer incentives (SEZs)

14	Growth rate of Oman's GDP	GDP	Measured as a relationship between GDP growth and Aggregate demand.	Economy resilient to global risks due to limited international exposure	Rentier nature of economy has created government driven macroeconomic model
15	Infrastructure level	IFR	Measures Oman's transport & economic infrastructure in terms of customer outreach.	Government owned oligopolies run critical services like transport, communication etc.	Prevalence of higher pricing models. Scarcity of natural gas feedstocks for new projects.
16	Manpower costs	MLC	It represents wages & salaries as factor payment for labour as a factor reward.	Shortage of skills amongst the local population has slowed productivity, innovation, and technology absorption. Exclusive training initiatives for Omani employees. 'In-country Value' policy in awarding tenders and procurement of local goods & services.	Pressure on companies to hire nationals, local sourcing, and manufacturing, awarding management jobs to nationals, costly training programmes for new hires etc.
Market potential:					
17	Market size	MKS	It measures market size and production potential as expressed in GDP growth rate.	Oman's population is 4.9 million (NCSI 2023). Small size of market encourages FDI based units to export and earn foreign exchange.	Local market is too small for large-scale investments to achieve economies of scale to be viable.
18	Purchasing power of targeted customers	PPC	It measures the high disposable incomes as a relationship between increase in AD and FDI inflows.	Higher disposable incomes due to absence of Income tax.	Lower capital funding results in low multiplier effect, payment delays for contracts executed.
19	Competitive intensity	CPI	It measures market saturation as a link with the rentier state of the economy.	Regulated and restricted markets. Value-chain activities should be carried out in-house or outsourced.	Entry barriers for firms e.g. Ministerial Decision 209/2020 prohibits foreign investors/expatriates in certain professions. Expatriate manpower has led to higher manpower costs.
C	**Internalisation factor:**				
1	Other variables (political stability)	OPS	It measures political stability as a measure of economic certainty.	Politically stable monarchy.	Bureaucratic hurdles and lack of transparency in awarding of contracts by Tender Board.

Source: Compiled by author

5. Recommendations

This study is the first of its kind in Sultanate of Oman that analyses the key barriers hindering the FDI systematically as a policy of state. The study can assist investors, government and public at large to establish the right policies on removing these barriers for sustainable development. Sultanate of Oman must draft FDI incentives for investors, based on country of origin and regions to match the incentives. The growth momentum supported by oil prices boom has shown its limits and future beckons a shift to low carbon economy. Therefore, implementation of reforms under Oman Vision 2040 is critical to unlock the potential of private sector led growth. Against the backdrop of this the paper suggests following recommendations:

(i) Transparency in regulatory mechanism

The Foreign Investment Law (FCIL), promulgated by the Royal Decree No. 102/94 is the main legislation regulating foreign investment climate in Sultanate of Oman. Government ministries prepare and revise the draft laws, royal decrees, and negotiate international agreements and contracts in which the government is a party. Public opinion should be sought on legislations and impact assessment of proposed regulations needs to be done. The "In-Country Value" (ICV) policy should be more transparent to incentivize companies, both Omani and foreign, to procure local goods and services and provide training to Omani national employees. Strict implementation of Oman Investment Authority's 'Rawabet' programme can help improve governance, performance, and risk management in 'state owned enterprises' (SOEs).

(ii) Legal system and judicial jurisprudence

The Sultanate of Oman has an independent and reliable judicial system, but litigation is time consuming. Consequently, corporate entities resort to arbitration as a means of reliable and faster justice. Currently, commercial disputes are settled through Commercial Laws subject to any ruling against the government. Judicial practices need to be revamped and the public sector should be brought under the umbrella of accountability.

(iii) Investment Incentives in Free Trade Zones

Hitherto, freebies like tax holidays, duty free import of raw materials and technology, tax-free repatriation of profits, fast-track processing of labour and immigration permits, and lower mandatory 'Omanisation' quota requirements attracted FDI in industrial zones, free zones, and special economic zones. However, in the post-covid scenario Oman's investment incentives have decreased. Industrial and commercial consumers are now required to pay cost-reflective tariffs for utilities. While many tax-exemptions for foreign investors have been eliminated, currently, corporate tax and VAT are strictly implemented. Restructuring of tax laws needs to be done.

(iv) Labor Policies and Practices

The government sector is the major employer of nationals while expat manpower is concentrated in labour intensive private sector. Sponsorship-based contract employment system (kafala) provides a high degree of protection to nationals. Mandatory severance pays, toothless labour unions, exclusive privilege of courts, overt and covert termination of expat manpower, opaque criteria for visa allotment, ban on expat labour in certain work categories etc. has a negative effect to the extent that corporates are deterred from investing in Oman. Therefore, labour reforms are the need of the hour.

(v) Global risk scenarios

In future, business environment in Oman will be defined by multiple drivers and cross-headwinds that need to keep a check on risk factors as identified below:

a) *Political risks*: The outcome of forthcoming US Presidential elections may aggravate US/EU China trade war leading to a weaker dollar. Since Omani riyal is pegged to USD, the purchasing power of Omani riyal will decline. Only a transparent and robust economy can help shore up inflation.

b) *Military risks*: If Ukraine conflict turns global or a global cyberwar erupts then world will become more vulnerable to conflict. Investing in sectors of national importance will pre-empt the risks arising from regional and global military conflicts.

c) *Economic risks*: Worsening US-China ties or monetary tightening may lead to US recession or economic slowdown in China. Sultanate of Oman must reduce its fiscal deficit by initiating fiscal discipline as a tool of state policy.

d) *Environmental risks*: Of late Gulf countries have witnessed extreme global weather conditions. Sultanate of Oman needs to build up its 'food security' capabilities. Wasteful consumption style should be discouraged to reduce carbon footprints.

(vi) *Redefining aspirations*

Sultanate of Oman faces challenges to choose between incompatible courses of action to achieve its foreign policy objectives in a volatile geographical region. The government will have to employ omni-balancing strategies that dynamically modify its policies to protect domestic and international economic interests. The country should not let politics become the driver for economics but vice versa.

To overcome these risks, economic freedom and economic institutions should be strengthened to ensure greater flows of inward FDI.

6. Conclusion

Since claims of robust and resilient economic setup have failed to mitigate concerns on FDI inflows, removing the above barriers will result in sustainable development of FDI in the country. Acceleration of FDI process to shore up deficit financing in post-covid scenario has led to deregulation of FDI entry modes previously considered less desirable. Today's Sultanate of Oman is more fiscally vulnerable to economic turmoil due to OPEC geopolitical tensions, high social sector subsidies and crowding out. Investment barriers have subdued the economy, reduced employment rate, and mitigated the feasibility of project viability, investment, and innovation thereby undermining the recovery and threatening the long-term growth potential.

The existence of barriers highlights the limitations that can be explicit or implicit. This study does not consider inter-sectoral classification in selecting the population samples. In Sultanate of Oman conducting research and gathering data on samples of population is quite difficult due to restricted access to data. Local perceptions and biases in respondent feedback may have also affected accuracy in information.

Based on findings from theoretical contributions, it is suggested that modifications are to be made to OLI paradigm. In an academic context it will lead to the development of new theories which can help to provide critical insight to empirical analysis of foreign direct investment.

To conclude, the common perception that FDI will drain the economy, without adding any value, needs to be re-investigated for FDI barriers risk reducing the expansion of new production capacity.

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