

# WebMemo



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## U.S.-Oman FTA Promotes Freer Trade and America's Strategic Interests

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On June 29, the Senate ratified the U.S.-Oman Free Trade Agreement (FTA), and after a contentious and partisan markup session, the House Ways and Means Committee approved the pact for a full House vote in July. The agreement is contentious because of the perception that Oman is only weakly committed to protecting workers' rights. Not only is this a misconception, but the very structure of the FTA would promote stronger labor standards and their enforcement. Rejecting the FTA on questionable labor concerns will undermine continued reform of Oman's economy and send a strong negative message about America's commitment to freeing trade and bolstering economic development in the Middle East. Further, a vote against the FTA would also send a clear message that the U.S. values Oman little as an ally.

### Labor in Oman

Skeptical Members of Congress should review the facts about Oman's labor record. Oman is a member of the International Labor Organization (ILO) and has ratified ILO conventions against child and forced labor. Recent changes to Oman's labor laws allow the creation of worker representative committees that can define dispute resolution procedures, call strikes, and ensure that collective bargaining provisions are fair and comprehensive. Moreover, reforms were instituted so that these legal protections to women and foreign workers just as they do to Omani men.

The U.S.-Oman FTA fully meets the labor objectives set out by Congress when it granted the president Trade Promotion Authority. As part of the FTA, each government reaffirms its obligations as a member of the ILO and commits to keep its laws consistent with internationally recognized labor standards. Moreover, the FTA states clearly that it is inappropriate to weaken or reduce domestic labor protections to encourage trade or investment. Finally, the FTA requires each government to enforce its labor regulations or face monetary fines and possibly the loss of preferential trade benefits.

In short, Oman has made significant progress in workers' rights in recent years. The FTA builds on these gains and would accelerate future reforms.

### A Worthy Trade Partner

In 2005, trade between the U.S. and Oman exceeded \$1 billion. The U.S. exported almost \$594 million in goods to Oman, and Oman's exports to the U.S. totaled almost \$555 million.<sup>1</sup> Currently, most American exports to Oman face a tariff rate of 5 percent, while the bulk of imports from Oman enter the U.S. market duty-free or face very low tariffs.<sup>2</sup>

This paper, in its entirety, can be found at:  
[www.heritage.org/research/tradeandforeignaid/wm1158.cfm](http://www.heritage.org/research/tradeandforeignaid/wm1158.cfm)

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Under the FTA, all bilateral trade in manufactured goods would become duty-free. Oman would immediately eliminate the tariffs that 87 percent of U.S. agriculture exports to Oman now face and phase out the remaining product tariffs within 10 years.<sup>3</sup>

While Oman's economy is small, a free trade agreement would bring real gains to consumers and firms in the U.S. and Oman. The FTA would benefit U.S. exporters and improve the investment and business environment in Oman, boosting economic opportunity and leading to greater prosperity.

### **Oman: A Key Strategic Partner**

Economic freedom, of which free trade is a major component, leads to faster economic growth and improved standards of living. This fact supports the 9/11 Commission's recommendation that "A comprehensive U.S. strategy to counter terrorism should include economic policies that encourage development, more open societies, and opportunities for people to improve the lives of their families and to enhance prospects for their children's future."

Consistent with the 9/11 Commission's recommendations, the Administration authorized the negotiation of a free trade agreement with Oman in 2004 as part of President Bush's plan to create a Middle East Free Trade Area (MEFTA) by 2013. This plan enjoyed broad bipartisan support at the time of the Administration's initial consultations with Congress. The FTA was signed in October 2005.

However, this agreement is about far more than trade. America's FTAs do more than achieve lower tariffs on U.S. exports; they also serve as an effective tool for advancing America's strategic interests. Oman is a key ally that has played an important role in the global war against terrorism and has provided valuable assistance to the United States armed forces in support of operations in Afghanistan and Iraq.

Oman's strategic location at the mouth of the Persian Gulf, in relatively close proximity to the center of gravity of world oil production, has made it a vital partner in helping to protect the petroleum jugular vein of western oil importers. Situated on the southern shore of the Strait of Hormuz, through which flows 40 percent of the world's oil exports, Oman plays a critical role in helping to assure the free passage of shipping through one of the world's most important sea lanes.

Oman's pro-Western orientation and geo-strategic importance made it a valuable ally for the United States against the Soviet Union during the cold war and against Saddam Hussein's Iraq, and it could be an important potential ally against Iran. Oman signed a ten-year military access agreement with the United States in 1981 that has been renewed twice. Under this agreement, the United States gained access to three of Oman's air bases and several of its ports.

Omani cooperation was a critical part of the military buildup before the 1991 Gulf War, when U.S. military equipment was unloaded in Omani ports and transported overland by trucks to the front line on the Saudi-Kuwaiti border. Omani air bases played an important role in supporting Operation Southern Watch, the Anglo-American air operation that enforced the no-fly zone over southern Iraq. Oman later provided important logistical assistance for the 2003 war against Iraq and logistical support and access to air bases for coalition forces in the war in Afghanistan. The U.S. also maintains pre-positioned equipment and supplies for 26,000 personnel in Oman as part of contingency planning for future military crises.

Oman has actively supported U.S. counter-terrorism efforts. Its tolerant Ibadi brand of Islam has enabled it to take a strong stand against Islamic extremism. Oman's government has cooperated

1. Data from U.S. Department of Commerce, "Product Profiles of U.S. Merchandise Trade with a Selected Market," at <http://tse.export.gov/NTDHome.aspx?UniqueURL=3ychgo3c0nhswd45yrs51hj4-2006-7-6-11-9-25>.
2. Data from U.S. Department of Commerce, Trade Information Center, "Country and Regional Tariff and Tax Resources," at [www.trade.gov/td/tic/tariff/country\\_tariff\\_info.htm#Oman](http://www.trade.gov/td/tic/tariff/country_tariff_info.htm#Oman).
3. United States Trade Representative, "Summary of the U.S.-Oman Free Trade Agreement," September 2005, at [www.ustr.gov/assets/Document\\_Library/Fact\\_Sheets/2005/asset\\_upload\\_file\\_189\\_8115.pdf](http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file_189_8115.pdf).

closely with the Middle East-North Africa Financial Action Task Force, which was set up in 2004 to cut the flow of financial support to terrorist networks. It established strong controls against money laundering and has cooperated with international law enforcement and intelligence efforts to combat terrorism.

Oman also joined the U.S.-sponsored Container Security Initiative and signed an agreement with the U.S. Departments of Energy and Commerce to bolster its ability to detect illicit radiological cargoes in ships and containers. Under this program, U.S. customs officers will pre-screen certain containers bound for U.S. ports from Oman's state-of-the-art container facility at the port of Salalah.

Oman has been a consistent friend since 1833, when the Sultanate of Oman signed a treaty of amity and commerce with United States. It also was the first Arab country to send an ambassador to Washington and long has played a stabilizing role in the volatile Middle East. Oman has followed a moderate line on Arab-Israeli issues and was one of the few Arab countries that refused to break diplomatic relations with Egypt after President Anwar Sadat made peace with Israel. In 1994, Oman abandoned the Arab boycott of Israel and opened up a trade office with Israel. Although popular demonstrations forced Oman's government to close this office in 2000, Oman has quietly maintained contact with

Israel. Oman has consistently played a stabilizing role in an unstable region that is critical to the success of the global struggle against terrorism.

### Conclusion

If it is ratified, the U.S.-Oman FTA will ultimately be validated by its strategic and economic gains for the U.S. Moreover, it will strengthen ties with a moderate Arab country that has been a reliable ally against Islamic extremism and despotism in a region critical to the future of the global economy. Fears that the agreement could somehow undermine labor rights, hurt Omani workers, or put U.S. workers at a great disadvantage are unfounded. The facts of Oman's recent progress in labor rights and the FTA's safeguards point in the opposite direction. As well, this agreement is a crucial piece of the U.S. strategy of fighting terror by encouraging freedom and prosperity in the Middle East. FTAs serve to promote U.S. interests, not weaken them. The U.S.-Oman FTA fits this mold perfectly.

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