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The Economic and Strategic Rewards of the U.S.-Oman Free Trade Agreement

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This week President Bush signed America's tenth free trade agreement (FTA), between the United States and Oman, into law. After much contentious debate regarding Oman's record on labor rights, Congress approved the legislation, ultimately persuaded by the economic and strategic benefits of the deal as well as Oman's progress in reforming both its economy and labor laws. With this latest FTA, America sends a strong message about its commitment to freeing trade and bolstering economic development in the Middle East. Moreover, the FTA sends a clear message that the U.S. values Oman as an ally.

The Gains from Freer Trade

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.¹ Before the FTA, most American exports to Oman faced tariffs of five percent, while the bulk of imports from Oman entered the U.S. market duty-free or faced very low tariffs.²

Under the new FTA, all bilateral trade in manufactured goods will become duty-free. Oman will immediately eliminate 87 percent of the tariffs imposed on U.S. agriculture exports to Oman and phase out the remaining product tariffs within 10 years.³

Aside from promoting fairer, freer trade in manufactured goods and agriculture products, the U.S.-Oman FTA also enhances opportunities for America's services sector. Oman will now allow market

access to U.S. firms exporting a variety of services, including audiovisual, express delivery, telecommunications, healthcare, and construction services.

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

Free Trade and Free Markets

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. The

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U.S. already has trade agreements in place with Jordan and Bahrain.

These agreements are about far more than just trade. America's FTAs go beyond winning lower tariffs on U.S. agriculture, manufacturing, and services exports. FTAs contain provisions that safeguard investors from discrimination and uncompensated expropriation of property, increase regulatory transparency and eliminate excessive red tape, protect and enforce intellectual property rights, combat corruptive practices, insure nondiscriminatory government procurement, protect labor rights, and strengthen environmental protection. The U.S. Trade Representative negotiates agreements that include transparent dispute resolution and arbitration mechanisms to guarantee that the agreements are upheld, along with the rights of U.S. firms and consumers.

Each element of an FTA strengthens the transparent and efficient flow of goods, services, and

investments between member countries. FTAs open markets, protect investors, and increase economic opportunity and prosperity. In short, FTAs serve to promote U.S. interests across the board.

Conclusion

America's FTAs serve as an effective tool for advancing America's economic and strategic objectives. 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. The new U.S.-Oman FTA will be validated by national strategic and economic gain for many years to come.

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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 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 http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file189_8115.pdf.