

November 15, 2005

The President
The White House
Washington D.C. 20500

Dear Mr. President:


Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Advisory Committee for Trade Policy and Negotiations (ACTPN) on the U.S. - Oman Free Trade Agreement.

The ACTPN unanimously endorses the U.S. – Oman Free Trade Agreement (the FTA). It is our view that the agreement meets the negotiating objectives laid out in the Trade Act of 2002, and that the agreement is in the best economic interest of the United States. The FTA is a comprehensive agreement that will benefit the U.S. and Omani economies and employment opportunities and will also increase the likelihood of additional agreements in the region.

The ACTPN views the agreement as an additional step toward the goal of a Middle East Free Trade Area (MEFTA). Importantly, the ACTPN also is of the opinion that the agreement will improve and strengthen overall U.S. relations with the countries in the Middle East.

The ACTPN urges that the FTA be enacted into law as quickly as possible, so American farms, factories, services providers, and consumers can begin to receive the benefits of this agreement at the earliest possible time.

Sincerely,

A handwritten signature in black ink that reads "Bill Frenzel". The signature is written in a cursive, slightly slanted style.

Bill Frenzel
Chairman
Advisory Committee for Trade Policy and Negotiations

The U.S. – Oman Free Trade Agreement (FTA)

**The Report of the
Advisory Committee
for Trade Policy and Negotiations
(ACTPN)**

November 15, 2005

**The Advisory Committee
for Trade Policy and Negotiations (ACTPN)**

**Report to the President, the Congress,
and the United States Trade Representative on the**

U.S.-Oman Free Trade Agreement

I. Preface

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(I) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement. Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations must include an advisory opinion as to whether, and to what extent, the agreement promotes the economic interests of the United States and achieves the applicable overall and principal negotiating objectives set forth in the Trade Act of 2002.

Pursuant to these requirements, the Advisory Committee for Trade Policy and Negotiations (the ACTPN) hereby submits its report.

II. Executive Summary of Committee Report

The ACTPN unanimously is of the opinion that the U.S.-Oman Free Trade Agreement (the FTA) meets the negotiating principles and objectives laid out in the Trade Act of 2002 and believes the FTA is strongly in the interest of the United States. The FTA maintains the high standards of earlier agreements and contains provisions that will expand trade and economic relations between Oman and the United States. In addition, it contains effective enforcement mechanisms and a consultation mechanism to expand possibilities for improving trade cooperation and heading off disputes.

The FTA incorporates labor and environmental protections into the body of the agreement to ensure that neither party fails to enforce its environmental and labor laws in a manner affecting trade between them. Additionally, the FTA contains provisions for the effective protection of intellectual property, improved customs facilitation, and investor rights.

The ACTPN believes that, together with the existing agreements with Jordan and Israel and the pending agreements with Morocco and Bahrain, the Oman FTA will serve as a catalyst for yet more agreements in the Middle East, furthering the objective of creating the Middle East Free Trade Area (MEFTA). We urge quick adoption and implementation of the Oman agreement.

III. Description of the Committee

The Advisory Committee for Trade Policy and Negotiations (ACTPN) is the U.S. government's senior trade advisory panel. It was established to provide the U.S. Trade Representative with policy advice on: (1) matters concerning objectives and bargaining positions for proposed trade agreements; (2) the implementation of trade agreements once they are in force; and (3) other matters arising in connection with the trade policy of the United States. The ACTPN provides an overview of trade policy and issues. Advice on matters affecting individual sectors or policy areas is expected to be provided by several Policy Advisory Committees and by the Industry Trade Advisory Committees (ITACs).

In keeping with its broad charter, the membership of the ACTPN is representative of key economic sectors affected by trade. Members are drawn from business, industry, labor, agriculture, small business, service industries, retailers, and consumer interests. The membership of the ACTPN is appended to this report.

IV. Advisory Committee Opinion on Agreement

The ACTPN ("the committee") unanimously endorses the U.S. – Oman Free Trade Agreement ("the FTA" or "the agreement") as negotiated by the President's U.S. Trade Representative. Our report draws on the views of all ACTPN members, representing a broad spectrum of trade-related industries and interests. We believe the agreement strongly promotes the economic interests of the United States and fully achieves the overall and principal negotiating objectives set forth in the Trade Act of 2002.

We believe that the FTA is a comprehensive agreement that benefits the American economy and also complements ongoing regional and multilateral trade and investment liberalization efforts. We believe the FTA will substantially improve market access in Oman for American industrial and agricultural goods and services.

Oman is a small, middle income country that imports about \$6 billion annually from the world. The United States currently exports about \$330 million annually to Oman. European Union producers sell six times as much as U.S. exporters to Oman, indicating considerable room for U.S. export expansion once American firms obtain preferential access to the Omani market.

The agreement reinforces the important reform process undertaken by the Sultanate of Oman in recent years. This FTA underscores Oman's commitment to transparency and liberalized markets. It also provides an atmosphere conducive to increased trade and investment for U.S. firms as these firms can be sure their investments are protected.

This is also an important agreement in terms of regional reform. The U.S. currently has a signed FTA with Bahrain and is negotiating an agreement with the United Arab Emirates. Passage of this comprehensive agreement will set a high standard for future FTAs with Gulf Cooperation Council (GCC) member countries and other countries in the region.

The ACTPN believes that the FTA will make the close relationship with Oman even closer and will advance not only the President's program for a Middle East Free Trade Area, but also overall U.S. objectives in this important and volatile area of the world.

The ACTPN's views on the agreement follow, but the committee wants to stress that it endorses all parts of the agreement, including those not discussed in the following section. We urge the Administration and the Congress to get the agreement into effect as soon as possible. It adds to the impetus of the recently-concluded Morocco and Bahrain agreements, and the ACTPN believes U.S. interests in the region demand that passage of this agreement be expedited.

Market Access -- The ACTPN applauds the provisions on trade in goods, including agriculture. These meet or exceed the best that have been negotiated in any other U.S. trade agreement, and certainly achieve the Trade Act's market access goals. Nearly 90 percent of U.S. agricultural export line items to Oman will become duty-free immediately upon implementation of the agreement.

Oman will provide immediate duty-free access to virtually all imports of manufactured goods (both consumer and industrial products) of a type currently imported from the United States as soon as the agreement goes into effect. The principal exceptions are alcoholic beverages and apparel. Tariff reductions on the latter will be phased in simultaneously with reductions in U.S. duties on Omani-made apparel in a balanced fashion. Only a very small number of tariffs will be phased out over 10 years.

Services -- The committee believes that the negotiating requirements for services trade have been met, and that the agreement helps set the basis for additional agreements to open services trade throughout the region. Oman agreed to a "negative list" approach in which only designated services may be excepted from being fully open – all other services are open, importantly including new service industries which may emerge in the future. U.S. financial services will benefit significantly, including banking and insurance services. Oman also provided an open telecommunications market providing non-discriminatory treatment to U.S. firms.

E-commerce -- The e-commerce and digital products provisions meet the expectations of the ACTPN and provide a strong basis for the expansion of this important technology. The establishment of non-discrimination guarantees and a binding prohibition on customs duties on products delivered electronically create a favorable environment for the development of increased e-commerce.

Intellectual Property Rights -- The ACTPN endorses the high level of IPR protection in the agreement. The agreement includes state-of-the-art protection for trademarks and digital copyrights and expanded protection of patents and trade secrets. These are supported by tough penalties for piracy and counterfeiting, including seizure and destruction of products and equipment and mandated statutory and actual damages for violations. Oman will maintain criminal penalties for circumvention and for trade in counterfeit goods, and will develop an on-line system for registering trademarks.

The ACTPN is extremely concerned about the rising global level of trade in counterfeit goods, and commends the FTA for its strong provisions to combat such trade. Oman's agreement to enforce IPR laws against goods in transit, including in ports or free trade zones, is particularly important. The ACTPN looks forward to similar provisions in future agreements in the region.

Government Procurement -- The agreement includes coverage of most Omani government agencies, and provides for transparent bidding procedures and non-discrimination against U.S. suppliers. The FTA will ensure more predictable procurement procedures, including advance public notice of intended government procurements and timely bid review procedures. The agreement also requires laws that make bribery of procurement officials illegal.

Customs -- The ACTPN is pleased with the customs procedures negotiated in the U.S.-Oman FTA. Specifically, the ACTPN applauds the use of technology and the specificity of the provisions requiring transparency and efficiency in customs administration as well as the facilitation of the clearance of express delivery shipments through customs. The FTA has a provision for both governments to share information to combat the illegal transshipment of goods.

Investment Provisions -- The ACTPN believes that the investment provisions of the FTA meet the requirements stipulated in the Trade Act of 2002. The United States has not had a Bilateral Investment Treaty with Oman, so the FTA creates important new rights for U.S. investors. These include, in almost all areas, rights of establishment, due process protections, the right for fair market value compensation in case of expropriation, and investor-state dispute settlement procedures providing access to impartial dispute panels. The provisions of the agreement are consistent with other recent investment provisions in U.S. agreements and are designed to provide investor protections while ensuring consistency with rights under U.S. law.

Labor Provisions -- The ACTPN believes the FTA fully meets the labor objectives of the Trade Act of 2002, and views the text of the agreement as providing an effective and balanced means of implementing those negotiating objectives. The labor provisions are consistent with the standards set in earlier free trade agreements and meet the Trade Act's requirements while still providing strong assurances that the provisions cannot be used as a means of disguised protectionism.

The committee notes the agreement's emphasis on cooperation and mutual agreement in labor matters. Under the agreement, both countries reaffirm their commitments under the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and ILO Convention 182 on the Worst Forms of Child Labor. The agreement also establishes a cooperation mechanism to support these commitments and improve the systems for administration and enforcement of labor laws. Both commit that they will not fail to enforce their labor laws in a way that could affect trade. Both also agree to strive to ensure they will not weaken their labor laws in a manner that would affect trade.

Environmental Provisions -- The ACTPN endorses the environmental provisions of the FTA set out in the Joint Statement on Environmental Cooperation and believes they provide effective ways of contributing to environmental improvement. The committee particularly commends the fact that a Memorandum of Understanding on Environmental Cooperation will establish a Joint Forum on Environmental Cooperation that will develop a plan of action for future environment-related projects. The ACTPN hopes that the various joint forums being initiated by U.S. FTAs in the region can be implemented in a manner that will promote regional environmental cooperation.

Dispute Settlement -- The ACTPN believes the agreement contains effective dispute settlement provisions that can ensure the agreement's requirements can be enforced. These provisions provide for timely and effective resolution of disputes and the application of enforcement mechanisms that provide an adequate incentive for compliance when needed. Under the agreement, suspension of tariff benefits or the application of fines are available for all disputes, including disputes over enforcing labor and environmental laws.

The ACTPN reiterates its view that trade retaliatory measures should be taken as a last resort, for they have the capability of interfering with trade and causing considerable economic disruption. For this reason the committee commends FTA provisions that allow for the use of fines. The ACTPN hopes that this avenue will be pursued as a preferred option, holding the use of trade restrictions to an absolute minimum.

The committee also believes that the best way to deal with trade disputes is through consultation and developing trade-enhancing remedies, and expresses its support for the provisions in the FTA that seek such amicable resolution of disputes. The agreement also sets high standards of openness and transparency for panel procedures.

The ACTPN believes that the dispute resolution provisions fully meet the requirements of the Trade Act of 2002. They provide equivalent enforcement for all parts of the agreement, satisfying both the letter and spirit of the legislation.

Membership:

Advisory Committee for Trade Policy and Negotiations (ACTPN)

Mr. Peter Baranay	ABRO Industries
Dr. Craig R. Barrett	Intel Corporation
Mr. Joseph Behar	Univision Music Group
Mr. James Berges	Emerson Electric Company
Ms. JoAnn Brouillette	Demeter
Mr. Michael Campbell	Arch Chemicals, Inc.
Mr. Thomas Donohue	U.S. Chamber of Commerce
The Honorable Calvin Dooley	Food Products Association
The Honorable Jennifer Dunn	DLA Piper
Mr. Edward C. Emma	Jockey International, Inc.
The Honorable John Engler	National Association of Manufacturers
Mr. William E. Frenzel (Chairman)	The Brookings Institute
Mr. Allen Gant, Jr.	Glen Raven Incorporated
Mr. Nicholas Giordano	National Pork Producers Council
Mr. Terry Growcock	The Manitowoc Company, Inc.
Ms. Stephanie Harkness	Pacific Plastics and Engineering
Dr. H. Fisk Johnson	SC Johnson & Son, Inc.
The Honorable Scott Klug	Trails Media Group
Mr. Charles E. Kruse	Missouri Farm Bureau
Mr. Larry A. Liebenow	Quaker Fabric
Mr. James W. Morrison	Small Business Exporters Association
Mrs. Tracy Mullin	National Retail Federation
Mr. Edward J. Perkins	University of Oklahoma
Mr. Kevin B. Rollins	Dell Computer Corporations
Ms. Lea Soupata	United Parcel Service
Ms. Maria Taxman	Chesterfield Trading
Mr. Jose Villamil	The Washington Economics Group, Inc.
Mr. Joseph Ward	International Union of Operating Engineers
Mr. Wythe W. Willey	National Cattlemen's Beef Association
Mr. Wendell Willkie	MeadWestvaco Corporation