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United States and Oman Conclude Free Trade Agreement

5th FTA in Middle East Strengthens US Economic Ties to Region, Offers Opportunity for Greater Prosperity

10/03/2005

WASHINGTON - U.S. Trade Representative Rob Portman and Omani Minister of Commerce and Industry Maqbool Bin Ali Sultan, who participated via digital videoconference, today announced the completion of a comprehensive Free Trade Agreement (FTA) designed to eliminate tariffs and barriers and expand trade between both countries. Oman is the fifth Middle Eastern country to have negotiated an FTA with the United States.

"This is a high-quality, comprehensive free trade agreement that will contribute to economic growth and trade between both countries," said Portman. "The Agreement will generate export opportunities for U.S. companies, farmers, and ranchers, help create jobs in the United States, and help American consumers save money while offering them greater choices. In addition to eliminating its tariffs on U.S. products, Oman will provide substantial market access across its entire services regime, provide a secure, predictable legal framework for U.S. investors operating in Oman, provide for effective enforcement of labor and environmental laws, and protect intellectual property.

"Oman's decisive embrace of open trade and free markets paved the way for these negotiations to close in only seven months. This Agreement will support and accelerate the market liberalization that Oman started as part of its high-standard accession to the World Trade Organization in 2000."

"The FTA with Oman builds on our existing agreements with Israel, Jordan, Morocco and Bahrain. We are also negotiating an FTA with the United Arab Emirates and have signed eight Trade and Investment Framework Agreements (TIFA) with Middle East nations," continued Portman. "These are important steps on the path to implementing the President's initiative to create a U.S.-Middle East Free Trade Area by 2013. Our efforts will advance economic growth and democracy in the Middle East – an area of almost 350 million people and a \$70 billion trading relationship with the United States."

BACKGROUND

Congressional Consultation

Under the Trade Act of 2002, the Administration must notify Congress at least 90 days before signing the agreement. The Administration will continue to consult with the Congress on the agreement and will soon send a formal notification of its intent to sign the U.S.-Oman FTA to Capitol Hill.

US-Oman Trade

Two-way goods trade between the United States and Oman was \$748 million in 2004. U.S. goods exports to Oman in 2004 totaled \$330 million, including machinery, automobiles, optic and medical instruments, and electrical machinery. U.S. exports of agricultural products to Oman in

2004 totaled \$20 million, including vegetable oils, and sugars, sweeteners, and beverage bases. The stock of U.S. foreign direct investment in Oman in 2003 was \$358 million.

Oman's accession to the World Trade Organization in 2000 and the July 2004 U.S.-Oman bilateral Trade and Investment Framework Agreement (TIFA) paved the way for a robust economic dialogue on promoting closer economic ties, freer trade, greater openness, a stronger investment climate, and economic reforms.

On November 15, 2004, the Administration notified Congressional leaders of its intent to negotiate an FTA with Oman, an important step on the path to fulfilling the President's vision of developing economic growth and democracy in the Middle East. After a 90-day period for consultations between the Administration and the Congress, the United States and Oman launched bilateral negotiations in Muscat, Oman on March 12, 2005. Two formal negotiating rounds were held, with teams of negotiators and specialists meeting in Muscat and Washington and via teleconference and e-mail.

Oman does not apply the boycott on Israel nor does it have any law establishing the primary, secondary, or tertiary boycott of Israel.

U.S. Trade Agenda

The United States is aggressively working to open markets globally, regionally, and bilaterally and to expand American opportunities in overseas markets. The Bush Administration has completed FTAs with twelve countries – Chile, Singapore, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Australia, Morocco, Bahrain, and now Oman. Negotiations are under way with eleven more countries: United Arab Emirates, Panama, Colombia, Peru, Ecuador, Thailand, and the five nations of the Southern African Customs Union (SACU). New and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world.

Middle East Free Trade Initiative (MEFTA)

In May 2003, the President proposed a plan of graduated steps for Middle Eastern nations to increase trade and investment with the United States and others in the world economy. The first step is to work closely with peaceful nations that want to become members of the World Trade Organization (WTO) in order to expedite their accession. As these countries implement domestic reform agendas, institute the rule of law, protect property rights (including intellectual property), and create a foundation for openness and economic growth, the United States takes a series of graduated steps with these countries tailored to their individual level of development.

The U.S. is expanding and deepening our economic ties through comprehensive FTAs, Trade and Investment Framework Agreements (TIFAs), and Bilateral Investment Treaties (BITs), and will enhance the Generalized System of Preferences (GSP) program for eligible countries. In the Middle East, this Administration has concluded three FTAs, Morocco, Bahrain and now Oman; ratified a third, with Jordan; is currently negotiating another, with the United Arab Emirates; and signed eight TIFAs with Middle East nations. Furthermore, our free trade agreements in the Middle East carry out the recommendation in the 'The 9/11 Commission Report' urging the United States to "encourage development, more open societies and opportunities for people to improve the lives of their families," by strengthening trade relations with the region.

Reference from The 9/11 Commission Report

The U.S. government has announced the goal of working toward a Middle East Free Trade Area,

or MEFTA, by 2013. The United States has been seeking comprehensive free trade agreements (FTAs) with the Middle Eastern nations most firmly on the path to reform. The U.S. -Israeli FTA was enacted in 1985, and Congress implemented an FTA with Jordan in 2001. Both agreements have expanded trade and investment, thereby supporting domestic economic reform. In 2004, new FTAs were signed with Morocco and Bahrain, and are awaiting congressional approval. These models are drawing the interest of their neighbors. Muslim countries can become full participants in the rules-based global trading system, as the United States considers lowering the trade barriers with the poorest Arab nations.

Recommendation: 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.

The 9/11 Commission Report

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