

**HEARING ON IMPLEMENTATION OF THE
UNITED STATES-OMAN FREE TRADE AGREEMENT**

HEARING
BEFORE THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED NINTH CONGRESS
SECOND SESSION

APRIL 5, 2006

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**HEARING ON IMPLEMENTATION
OF THE UNITED STATES-OMAN
FREE TRADE AGREEMENT**

WEDNESDAY, APRIL 5, 2006

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to call, at 10:40 a.m., in room 1100, Longworth House Office Building, Hon. William M. Thomas (Chairman of the Committee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
March 29, 2006
FC-20

CONTACT: (202) 225-1721

Thomas Announces Hearing on Implementation of the United States–Oman Free Trade Agreement

Congressman Bill Thomas (R–CA), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a hearing on the implementation of the U.S.–Oman Free Trade Agreement (FTA). **The hearing will take place on Wednesday, April 5, 2006, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:30 a.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include Ambassador Susan Schwab, Deputy U.S. Trade Representative. Any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

On March 12, 2005, formal negotiations were launched to enter into an FTA between Oman and the United States. These negotiations concluded on October 3, 2005, and on January 19, 2006, U.S. Trade Representative Rob Portman signed the U.S.–Oman FTA.

Oman has been a strong ally of the United States, contributing significantly to U.S. combat operations in Iraq and hosting thousands of U.S. military personnel during Operation Enduring Freedom in Afghanistan. In addition, Oman has played a leading role in the Persian Gulf area in opening trade with Israel and does not implement any aspect of the Arab League Boycott of Israel. Under the leadership of Sultan Qaboos, Oman has enacted a wide range of economic and political reforms, including promoting women to key roles such as Ministers and as the Ambassador to the United States.

A U.S.–Oman FTA would be the fourth U.S. agreement with an Arab country, following the U.S.–Jordan FTA signed in 2000, the U.S.–Morocco FTA signed in 2004, and the U.S.–Bahrain FTA signed in 2006. The U.S.–Oman FTA is an integral part of the Administration's strategy to create a Middle East FTA by 2013. The market access commitments in the U.S.–Oman FTA would immediately eliminate duties of all current bilateral trade in consumer and industrial products. Under the agreement, Oman would also provide immediate duty-free access for U.S. agricultural products in 87 percent of its agricultural tariff lines, and both nations would eliminate tariffs on any remaining products within 10 years. The agreement also provides strong protections for intellectual property and one of the highest levels of access for U.S. services industries in any FTA to date.

United States–Oman two-way goods trade was \$1.1 billion in 2005. The United States exported \$593 million in goods to Oman, with major exports including aircraft, vehicles, machinery, electrical machinery, and optical and medical equipment.

In announcing the hearing, Chairman Thomas stated, "This FTA builds on our strategic efforts cited by the 9/11 Commission Report to promote free and open economic and political systems in the Middle East and is another key part of our goal of establishing a Middle East Free Trade Area. Oman has been a strong partner of the United States and through this agreement has made some of the strongest market access commitments in any FTA to date. In addition, Oman has made significant progress, just as Bahrain, in improving its labor standards. I look forward

to moving this agreement quickly and expanding economic opportunity in the Middle East.

FOCUS OF THE HEARING:

The hearing will examine the U.S.–Oman FTA and the benefits that the agreement will bring to American businesses, farmers, workers, consumers, and the U.S. economy, as well as to the U.S. strategic relationship in the region.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Michael Morrow or Kevin Herms at (202) 225–1721 no later than 12:00 p.m. **Friday, March 31, 2006.** The telephone request should be followed by a formal written request faxed to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515, at (202) 225–2610. The staff of the Committee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Committee staff at (202) 225–1721.

In view of the limited time available to hear witnesses, the Committee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing in lieu of a personal appearance. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Committee are required to submit 300 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format*, of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the full Committee office, 1102 Longworth House Office Building, no later than close of business on Monday, April 3, 2006.** The 300 copies can be delivered to the Committee staff in one of two ways: (1) Government agency employees can deliver their copies to 1102 Longworth House Office Building in an open and searchable box, but must carry with them their respective government issued identification to show the U.S. Capitol Police, or (2) for non-government officials, the copies must be sent to the new Congressional Courier Acceptance Site at the location of 2nd and D Streets, N.E., **at least 48 hours prior to the hearing date. Please ensure that you have the address of the Committee, 1102 Longworth House Office Building, on your package, and contact the staff of the Committee at (202) 225–1721 of its impending arrival.** *Due to new House mailing procedures, please avoid using mail couriers such as the U.S. Postal Service, UPS, and FedEx.* When a couriered item arrives at this facility, it will be opened, screened, and then delivered to the Committee office, within one of the following two time frames: (1) expected or confirmed deliveries will be delivered in approximately 2 to 3 hours, and (2) unexpected items, or items not approved by the Committee office, will be delivered the morning of the next business day. The U.S. Capitol Police will refuse all non-governmental courier deliveries to all House Office Buildings.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “109th Congress” from the menu entitled, “Hearing Archives” (<http://waysandmeans.house.gov/Hearings.asp?congress=17>). Select the hearing for which you would like to submit, and click on the link entitled,

“Click here to provide a submission for the record.” Once you have followed the on-line instructions, completing all informational forms and clicking “submit” on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business Wednesday, April 19, 2006. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing can follow the same procedure listed above for those who are testifying and making an oral presentation. For questions, or if you encounter technical problems, please call (202) 225-1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman THOMAS. Today, the Committee will discuss the implementation of the U.S.–Oman Free Trade Agreement (FTA). This FTA, continues the strong precedent set by the United States–Bahrain FTA in terms of our trade relations with the Persian Gulf regions.

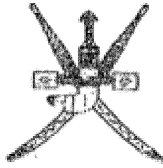
This Agreement will make 100 percent of U.S. imports and exports in consumer industrial goods duty free on the day the Agreement enters into force. It provides duty-free treatment to 87 percent of our agricultural products from day one, understanding that the two-way trade between the United States and Oman is less than \$800 million in the most recent statistical year, 2004. The International Trade Commission (ITC) agrees that although it is small, it is positive. Like the FTA with Bahrain, clearly, this Agreement has significance beyond its immediate markets.

The one thing that I will not recount in particulars, as I am going to recognize the gentleman from Florida, is the long, strong

friendship the U.S. has shared with Oman, signing their first treaty in 1833. I also would like to make note that there are letters that we have received from Oman that I would like to make a part of the record, in which the Ministry of Commerce and Industry has described specific steps the Omanis intend to take, including specific dates for action in regard to labor standards. That, I think, provides a measuring stick, one, which they will live up to, but two, should give additional comfort, looking forward, to what Oman will look like when the agreement enters into force.

[The letters follow:]

Embassy of
The Sultanate of Oman Washington, D.C.



March 3, 2006

The Honorable William M. Thomas
Chairman, House Ways and Means Committee
2208 Rayburn House Office Building
Washington, DC 20515-2105

Dear Chairman Thomas:


This will provide a reply to your request regarding Oman's ability to adapt its labor rights regime in a manner similar to that which the Kingdom of Bahrain had committed in seeking Congressional approval of the U.S.-Bahrain Free Trade Agreement.

We have reviewed the correspondence between the Kingdom of Bahrain and Ambassador Portman regarding issues and commitments of the Kingdom with respect to its labor rights regime. I have discussed these issues with the Minister of Industry and Commerce, H.E. Maqbool Ali Sultan, who has also conferred with the Minister of Manpower, H.E. Juma Al Juma. The Sultanate of Oman will:

1. Clarify its law that more than one Representative Committee may be formed in order to represent workers in their relations with a single enterprise.
2. Oman shall consult with the International Labor Organization and shall clarify that Representative Committees may belong to more than one federation.
3. The Ministry of Manpower will review remedies available to workers for unlawful termination of a worker for participating in a strike. In the event a legal preference for remedies is advisable and in compliance with I.L.O. standards, Oman will consider requiring reinstatement as the preferred remedy in such cases.
4. Oman shall continue to participate in consultations with the International Labor Organization to address and improve Oman's evolving labor rights regime, including further clarification of collective bargaining rules.
5. Oman will take steps to reduce government involvement in Representative Committee operations in order to conform to I.L.O. Convention 87.

Our review of the Bahrain commitments indicate that other representations made by Bahrain are not readily comparable with Oman's laws and practices. Nevertheless, if you believe otherwise, we will be pleased to further discuss these issues with you.

Sincerely,


Hunaina Al-Mughairy
Ambassador

CC: Angela Ellard; Majority Staff Director, Trade Subcommittee, House Ways and Means Committee

Sultanate of Oman
 Ministry of Commerce and Industry
 Muscat

Date: 26 March 2006

The Honorable William Thomas
 Chairman, Ways and Means Committee
 United States House of Representatives
 2208 Rayburn HOB
 Washington, DC 20515

Dear Chairman Thomas,

I sincerely appreciate the opportunity to work with you on the passage of the U.S.-Oman Free Trade Agreement and I welcome your interest in our labor laws. Over the last few years Oman has made significant progress in reforming our laws to comply with the International Labor Organization ("ILO") core labor standards. We are currently consulting with the ILO to further modernize our law and practices, taking into account the ILO standards. Therefore, Oman makes the following commitments:

1. Oman is hosting an ILO delegation in April of this year in order to determine how to incorporate ILO Convention 98 into our labor laws. Oman will then seek the views of the Council of Oman, the Council of Ministers, the Chamber of Commerce & Industry, representative committees and other interested parties (hereinafter, "Interested Parties"). Thus, Oman will be able to issue a Ministerial Decision, after consultation with Interested Parties, no later than October 31, 2006 that incorporates the standards of ILO Convention 98 into Omani labor laws.

2. The Ministerial Decision referenced in number 1 above will clarify that Article (106) of the Omani Labour Law allows workers, at their option, to be reinstated for any termination that resulted from lawful union activity.

3. After consultation with Interested Parties, Oman will issue a Royal Decree amending Royal Decree 35/2003 (the Omani Labor Law) by no later than October 31, 2006 that states that more than one representative Committee may be formed in order to represent workers in their relations with a single enterprise.

4. After consultation with Interested Parties, Oman will issue a Royal Decree amending Royal Decree 35/2003, as noted in point 3 above to amend Articles (108-110) of the Labour Law reflecting that each representative Committee may belong to the Main Representative Committee and that other main representative bodies may be formed. This action will be taken no later than October 31, 2006.

5. After consultations with Interested Parties, Oman will issue a Ministerial Decision by no later than October 31, 2006 ensuring that penalties for anti-union discrimination are adequate to deter acts of discrimination.

6. After consultations with the ILO and with Interested Parties, Oman will issue a Ministerial Decision by no later than October 31, 2006 that will ensure that technical standards for strikes do not exceed the standards of the ILO.

7. As provided by the Basic Law of Oman, Oman does seek the views of Interested Parties, before making any changes in the legislation and will commit to continue this practice in the future.

8. After consultations with Interested Parties, Oman will amend Ministerial Decisions 135/2004 & 136/2004 by no later than October 31, 2006 in order to remove all government involvement in representative Committees' activities.

Yours sincerely,

Maqbool Ali Sultan
 Minister of Commerce & Industry

Chairman THOMAS. For the remainder of the time, I recognize the gentleman from Florida, the Chairman of the Subcommittee on Trade, Mr. Shaw.

Mr. SHAW. Thank you, Mr. Chairman. I would like to express my pleasure that we are discussing the implementation of the U.S.-Oman FTA. Today we move forward on a FTA that I hope, in the end, will result in strong support similar to what we saw with the U.S.-Bahrain FTA, which received 327 yeas in the

House of Representatives. It is true that the size of Oman's economy is small relative to the U.S. economy. In fact, according to the Congressional Research Service, total U.S.-Oman trade was \$1.1 billion in 2005, accounting for only 4/100ths of 1 percent of all U.S. trade. Despite this small level of trade, there are some real benefits in this agreement for American producers.

As mentioned earlier, the Agreement will provide immediately duty-free access to 87 percent of all agricultural tariff lines. My home State of Florida will receive duty-free treatment of many citrus products, and I am very pleased to see that Mr. Billotti, in his written testimony, noted that his construction work in Oman is generating new opportunities for Florida companies. However, beyond the benefits to American companies and workers, the people of both countries will benefit from the continued development and deepening of the good relationship between us. It is certainly in our best interest to foster strong economic growth in the economy of our allies, and there is little question that Oman has been a solid ally of ours for some time, as spoken by the Chairman.

Particularly, I would like to applaud Oman and its leadership in dismantling the Arab League boycott of Israel. Additionally, Oman has no law which establishes or enforces primary, secondary or tertiary boycotts, and it does not apply the boycotts in practice. On September 28th, 2005, Oman's Minister of Commerce and Industry, Mr. Maqbul, wrote to Ambassador Portman to reiterate that Oman does not apply any aspect of the boycott. I would like to ask unanimous consent to include this letter in the record.

Chairman THOMAS. Without objection.

[The information follows:]

28 September 2005

The Honorable Robert Portman,
U.S. Trade Representative
600 17th Street, NW
Washington DC 20508,
United States of America

Dear Ambassador Portman,

Please accept my congratulations on your recent appointment to serve as the U.S. Trade Representative.

It has come to my attention that questions have arisen regarding Oman's participation in the Arab Boycott of Israel. I would like to assure you that Oman does not apply any aspect of the boycott, whether primary, secondary or tertiary or have any laws to that effect. Oman has no restriction whatsoever on U.S. companies trading with Oman or doing business with Oman, regardless of its ownership or relations with Israeli companies, and the government is taking steps to ensure that all Ministries are aware of the situation and remove any boycott language that may unintentionally remain in their contracts.

As a Member of the World Trade Organization (WTO), Oman did not invoke the non-application provisions of the WTO Agreement toward any other Member, and therefore has all WTO rights and obligations with respect to all Members.

Your sincerely,

Maqbool Bin Ali Sultan
Minister of Commerce and Industry

Mr. SHAW. The incredible change that can be fostered through trade relations can be seen in the Qualified Industrial Zone (QIZ), a program in Egypt, which provides trade benefits to Egyptian

companies that use Israeli content. Skeptics said that launching QIZs in Egypt would lead to protests against working with Israel. They were right that QIZs led to protests, but it couldn't have been more wrong about the reason. Egyptian workers protested because more of them wanted the ability to work in these jobs; jobs that helped ties between Israel and the Arab world. All over, Oman has been in the forefront of the Persian Gulf Region in developing strong ties with Israel.

After the signing of the Egyptian-Israeli Peace Treaty in 1979, Oman was one of the few Arab countries that did not break off relations with Egypt. It was also one of the few countries in the region to host an Israeli Prime Minister, when Prime Minister Rabin visited Oman in 1994. If we are to have any success in convincing countries to end the boycott, then we must stand ready to build relationships with those countries that do. With this his FTA, the U.S. can again show countries the economic benefits that are available to them if they reject this boycott. Mr. Chairman, I thank you for this time. I have run over, I appreciate it and yield back.

Chairman THOMAS. Thank the gentleman. The Chair would recognize the Ranking Member, the gentleman from New York, for any comments he may wish to make at this time.

Mr. RANGEL. Thank you so much. Welcome to the Committee. I will be yielding to the Ranking Member of the Subcommittee on Trade, but I am glad to see that the Chairman raised some questions or at least indicated that he had received some answers as it relates to basic International Labor Standards (ILS), and I see that you have referred constantly to labor standards consistent with internationally recognized principles. I assume you feel that one of the things that have torn this Committee apart on trade has been the interpretations of these standards. At some point I would like to know whether you have reached out to the Members of this Committee to try to get some agreements as to what the United States Trade Representative (USTR) thinks these standards should be, and how much time we have to deal with these questions. I really believe that more of these trade agreements should be bipartisan, and where efforts have been made to reach out, we have had tremendous success. I would like to yield to Mr. Cardin, who may be able to share whether or not the USTR has been working directly with him.

Mr. CARDIN. Let me thank Mr. Rangel for yielding.

First, let me just concur with the comments made about Oman being a longstanding friend and ally of the U.S., for all of the reasons that have been stated, and I hope we can conclude a FTA. However, I must raise an important concern that prevents me from endorsing the Agreement at this time. The structure of the Oman FTA, like those of other recent trade agreements, provides that the country must only enforce their own laws when it comes to basic labor standards. This is the only enforceable provision in the chapter on labor, and there is no requirement that the countries bring their laws into compliance with internationally recognized standards. When "enforce your own laws" is the model we use in our trade agreements, it is important that a country's labor laws meet basic international standards. Unfortunately, at this time, Oman's labor laws do not meet these standards.

Last month, Oman committed to issue several ministerial and royal decrees by October 31, 2006, to address certain areas where its laws fall short of basic international labor standards. Mr. Chairman, I believe Oman's commitments are an important step in the right direction. However, there is more work that needs to be done if we are able to get the type of bipartisan support that the U.S.–Bahrain FTA had. As you recall, the key to broad congressional support for the U.S.–Bahrain FTA was a detailed agreement reached between the U.S. Government and the government of Bahrain regarding labor laws. This Agreement had four key parts. First, Bahrain was able to demonstrate that its existing labor laws, as applied, were consistent with basic international standards. Oman has not yet satisfied this requirement, as Oman has not committed to apply its laws immediately in an International Labor Organization (ILO) consistent manner in the areas where its laws, as written, do not currently meet international standards.

Second, Bahrain made a commitment to make formal changes to all of its laws that were not fully ILO compliant. Oman is committed to issuing ministerial decisions to address seven areas in which the country's laws currently, do not comply with ILO standards. However, it is unclear whether these ministerial decrees override previously enacted contradictory provisions and Oman's labor laws. In addition, Oman has not committed to making changes to address three other areas in the law that are not fully ILO compliant.

Third, Bahrain made a commitment to introduce the formal changes to its laws immediately, committing that certain changes would be submitted to the Parliament before the House voted on the FTA, and certain other changes would be submitted within 3 weeks of the House vote. Oman has not committed to take immediate action to address these areas in which laws fall short of basic ILO standards. Instead, Oman has committed to issue certain ministerial and royal decrees by October 31, 2006.

Fourth, prior to the Committee on Ways and Means markup of the U.S.–Bahrain FTA, U.S. Ambassador Portman sent a letter to the government of Bahrain, reflecting a joint agreement between the two countries that Bahrain's commitment to continuing applying its laws in an ILO consistent manner, and to formally change its laws to comply fully with ILO standards, would be considered as, "matters arising under the agreement," and subject to consultations. No such commitment has been made with respect to the enforcement of commitments made thus far by Oman. Mr. Chairman, I think we are on the right path, but there are several additional steps that must be taken before this Agreement can gain the broad bipartisan support. Let me just make my final comment to point that Oman currently benefits from the U.S. Generalized System of Preferences (GSP), and of course, as part of that, they must be moving toward ILO standards. I think it is important that the final agreements that are reached meet the standards of the Bahrain FTA, and we are not there yet. I hope we can get there, and I will look forward to working with the Committee.

Chairman THOMAS. I thank the gentleman for his comments. Just to clarify, the letters that the Chairman requested to put in the record, were letters to the Chairman from the Omanis, and the

Omanis responded back to the Chairman. The Chairman's idea for a letter directly was based upon our friends on the minority side's similar actions with Morocco and Bahrain. I think it is a good idea. Although they were not shared with the majority prior to having them sent, our concern was the content of the letters, I am hopeful that the minority's reaction to the Chairman's letter would not be based upon the manner, as I indicated, but on the contents, and I believe the gentleman from Maryland's comments were focused on the contents of the letter, and I appreciate that.

Mr. CARDIN. We are not concerned about how we get the commitment, so we are very much working—and as I said, I think the letter exchange between you and the Omanis was a positive step, so we look forward to—

Chairman THOMAS. As the Chair thought, the letters from the minority to Morocco and Bahrain—I just heard some comments about that and I wanted to clarify the record—our job was to try to get it right, and that would be something substantive that we could focus on.

Mr. RANGEL. Mr. Chairman, would you yield?

Chairman THOMAS. Gentleman from New York.

Mr. RANGEL. Could you share with a copy of the Chairman's letter?

Chairman THOMAS. Yes. It is in the record and it will be available to everyone.

Mr. RANGEL. That would help too.

Chairman THOMAS. As would the Morocco and the Bahrain letters would have as well. Now it is my pleasure to have before the Committee, the Honorable Susan Schwab, who is the Deputy USTR, and thank you very much. You may address the Committee in the time you have in any way you see fit. Any written testimony will be made a part of the record.

STATEMENT OF THE HONORABLE SUSAN C. SCHWAB, DEPUTY UNITED STATES TRADE REPRESENTATIVE, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Ms. SCHWAB. Thank you, Mr. Chairman. I will be submitting written testimony for the record. Mr. Chairman, Chairman Shaw, Congressman Rangel, Members of the Committee, let me begin by thanking you and other Members on the Committee who have worked in such close partnership with us on our FTAs. I am also grateful to the cochairs of the Middle East Economic Partnership Caucus, Congressmen Ryan, Meeks, Jefferson, English, Chandler and Issa, who have been extremely supportive of this agreement.

I appreciate the opportunity to discuss the U.S.–Oman FTA with you today. This and other FTAs that the Committee has considered are important elements of U.S. policy in the Middle East, with potential benefits that extend well beyond their immediate trade implications.

With this Agreement, Oman has made legally binding commitments to liberalize trade with the U.S. The FTA will provide new market access opportunities for U.S. manufacturers, farmers and service providers. It will also create an economic environment conducive to additional economic opportunities for the people of Oman.

Beyond substantial trade liberalization, the FTA will help support ongoing economic, political and social reforms in Oman, and promote the benefits of pursuing market opening policies in other countries in the region. Embracing trade will benefit the people of the Middle East as they strengthen their ties with countries outside the region and with each other.

The Administration's trade agenda is a fundamental part, therefore, of the President's vision of developing economic growth and democracy in the Middle East. In May 2003, the President announced a plan of graduated steps for Middle Eastern countries to increase trade and investment with the U.S. and others in the world economy, and to create a U.S.–Middle East Free Trade Area (MEFTA), by 2013. Oman is the fifth Middle Eastern country to have negotiated an FTA with the U.S., building on our existing agreements with Israel, Jordan, Morocco and Bahrain. We are also negotiating an FTA with the United Arab Emirates, and have Trade and Investment Frameworks Agreements (TIFA), with most other countries in the region. These are important steps in implementing the President's initiative.

The 9/11 Commission urged the U.S. to expand trade in the Middle East in order to "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 President and USTR take this recommendation very seriously, and the Oman FTA is an important milestone in our progress.

On the first day the Agreement enters into force, 100 percent of bilateral trade in industrial and consumer products, with the exception of certain textile and apparel products, will flow duty-free, as was indicated by the Chairman and Subcommittee Chairman Shaw. Oman will also provide immediate duty-free access for 87 percent of the lines of U.S. exports of agricultural products with major potential benefits to American exporters. Services regimes will also be liberalized, including banking and securities, insurance, telecommunications, express delivery, distribution, health care, construction, architecture and engineering.

We are also very pleased with the legal and regulatory environment changes that will be going on in Oman as a result of this Agreement that will assist foreign investors who want to see a 21st century commercial environment in which to invest. The labor laws, labor law reforms, intellectual property rights reforms, all are important parts of this Agreement, as are provisions in the FTA related to transparency, public notification and anti-bribery provisions. The FTA's labor and environment provisions fully meet the negotiating objectives set out in the Trade Act of 2002 (P.L.107–210) and these provisions are included in the core text of the Agreement. The Agreement requires that each party not fail to effectively enforce its labor and environmental laws. Moreover, each country commits to ensure that its policies provide for and encourage high levels of environmental protection, to strive to ensure that its labor laws provide for labor standards consistent with internationally recognized principles, and we can talk more about that later, and strive not to weaken or reduce labor or environmental laws to attract trade and investment.

Oman passed a new labor law in the year 2003 that allows for the creation of worker representative Committees for the first time. It also removed its 1973 enacted prohibition on strikes. The Agreement enjoys widespread support from our private sector advisory Committees. I look forward to answering any questions you might have about this important agreement.

[The prepared statement of Susan Schwab follows:]

Statement of The Honorable Susan Schwab, Deputy U.S. Trade Representative, Office of the U.S. Trade Representative

INTRODUCTION

Mr. Chairman, Congressman Rangel, and Members of the Committee:

I would like to thank Chairman Thomas, Congressman Rangel, and others on the Committee who work in such close partnership with us on our free trade agreements. I am also grateful to the co-chairs of the Middle East Economic Partnership Caucus—Congressmen Ryan, Meeks, Jefferson, English, Chandler and Issa—who have been extremely supportive of this agreement.

I appreciate the opportunity to discuss the United States–Oman Free Trade Agreement (FTA) with you. This and other recent FTAs that the Committee has considered are important elements of U.S. policy in the Middle East. With this agreement, Oman has made legally binding commitments to liberalize trade with the United States. The FTA will provide new market access opportunities for U.S. farmers, manufacturers, and service providers. It will also be an important force in encouraging increased direct foreign investment in Oman and in creating an economic environment conducive to additional employment opportunities for the people of Oman.

Beyond substantial trade liberalization, the FTA will help support ongoing economic, political and social reforms in Oman, and promote the benefits of pursuing market liberalizing policies in other countries in the region. Embracing trade will benefit the people of the Middle East as they strengthen ties with countries outside the region and with each other. The more nations trade with one another, the better the chances for ending political instability and economic stagnation.

The Administration's trade agenda is a fundamental part of the President's vision of developing economic growth and democracy in the Middle East—a region of almost 350 million people and a \$70 billion trading relationship with the United States. In May 2003, the President announced a plan of graduated steps for Middle Eastern nations to increase trade and investment with the United States and others in the world economy, and to create a United States–Middle East Free Trade Area (MEFTA) by 2013. This trade agenda is one element of a comprehensive approach to address the economic, social and political challenges facing the region and U.S. interests in the area.

Our strategy toward countries in the region—to engage them at their individual levels of progress, to provide them access to the U.S. market based on mutual benefit, and to require that they adopt high standards for trade and investment—is working. Oman is the fifth country in North Africa and the Middle East to have negotiated an FTA with the United States, building on our existing agreements with Israel, Jordan, Morocco and Bahrain. We are also negotiating an FTA with the United Arab Emirates and have Trade and Investment Framework Agreements (TIFA) with most of the other countries in this region, which provide opportunities to enhance our bilateral trade and investment relationships. These are important steps on the path to implementing the President's MEFTA initiative.

The 9/11 Commission urged the United States to expand trade with the Middle East in order to “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 President and USTR take this recommendation very seriously.

Working in close partnership with Congress has been critical to our successes to date. The Trade Act of 2002 put in place procedures that make it possible to negotiate and implement the types of agreements that not only address the pressing need for engagement with regions such as the Middle East, but also bring real benefits to American workers and the U.S. economy.

THE AGREEMENT

The United States–Oman FTA will eliminate tariffs and non-tariff barriers and expand trade between the two countries, generating new opportunities for U.S. workers, consumers, farmers, manufacturers and service providers.

On the first day the agreement enters into force, 100 percent of bilateral trade in industrial and consumer products, with the exception of certain textile and apparel products, will flow duty-free. In addition, Oman will provide immediate duty-free access for 87 percent of U.S. exports of agricultural products. This will mean new opportunities for U.S. companies that produce machinery, automobiles, optical and medical instruments. And it will mean new opportunities for U.S. producers of vegetable oils, sugars and sweeteners for beverages.

Under the FTA, Oman will provide substantial market access across its entire services regime, providing new opportunities for U.S. companies involved in banking and securities, insurance, telecommunication, express delivery, distribution, health care, construction, architecture and engineering.

This Agreement will also help ensure a secure and predictable legal and regulatory environment in Oman that foreign investors want to see in 21st century commerce. Under the Agreement, Oman will provide effective enforcement of labor and intellectual property laws. This will help make Oman a more attractive place for investors and create new opportunities for the Omani people.

The Agreement's rules of origin provisions on regional cumulation allow FTA partners in the region to combine inputs into products and qualify for preferential tariff treatment. This feature will facilitate connecting our bilateral agreements as we move toward a more integrated, region-wide agreement. It will also encourage trade among countries in the region, an important yet currently missing ingredient for the region's development.

The Agreement also includes important transparency, public notification, and anti-bribery provisions. Application of these provisions will also help to improve the business and investment environment in Oman by providing more certainty and predictability for firms and individuals operating and investing there and promoting the rule of law.

The FTA's labor and environment provisions fully meet the negotiating objectives set out in the Trade Act of 2002. These provisions are included in the core text of the agreement. The Agreement requires that each Party not fail to effectively enforce its labor and environmental laws. If they consistently fail to enforce those laws in a manner that affects our trade, then they face the prospect of monetary penalties that will be directed to solve the problem, or potentially face the loss of preferential trade benefits. Moreover, each country commits to ensure that its laws and policies provide for and encourage high levels of environmental protection, to strive to ensure that its labor laws provide for labor standards consistent with internationally recognized labor principles, and to strive not weaken or reduce labor and environmental laws to attract trade and investment. Also notable are provisions calling for panel expertise in the event of labor or environmental disputes, as well as a mechanism that would allow for monetary assessments to be used to assist a country in addressing a labor or environmental violation. The Agreement also establishes processes for further cooperation on labor and environmental issues.

Oman passed a new labor law in 2003 that allows for the creation of worker representative committees for the first time. The law details procedures for dispute resolution and removes a 1973 prohibition on strikes. Oman recognizes the need to continue its efforts on labor rights, and is working to raise awareness and educate workers about their rights and to establish new worker representative committees. Oman is working with the ILO on these efforts.

The Agreement enjoys widespread support from our trade advisory committees. The most senior committee, the Advisory Committee for Trade Policy and Negotiations (ACTPN), "unanimously endorses the United States-Oman Free Trade Agreement," and found the agreement "is in the best economic interest of the United States." In addition, the ACTPN views the agreement as "an additional step toward the goal of a Middle East Free Trade Area," and noted that the agreement "will improve and strengthen overall U.S. relations with the countries in the Middle East." Committees representing sectors such as consumer goods, services, information technology, intellectual property, and agriculture also expressed broad support for the Oman FTA.

We recognize that the Labor Advisory Committee has concerns about all FTAs that the United States has concluded to date, and that such concerns relate as well to the Committee's assessment of this agreement. We are convinced that the disciplines and consultative mechanism in the FTA will play a major role in further improving the labor situation in Oman.

CONCLUSION

For decades, Oman and the United States have shared a desire for peace, stability, and economic opportunity in the Middle East. This Agreement is an important new step in our partnership that will not only remove trade barriers, but also

cement our long-standing friendship and growing commercial ties and create new economic opportunities for both of our countries.

This Agreement also helps the advancement of economic and political freedom in the region and is an essential building block for the Administration's goal of assisting the countries in the Middle East to build more market-oriented, liberalized economic regimes.

With your guidance and support, we will continue to pursue the President's MEFTA initiative. As the next step in implementing that initiative, we look forward to working with you and building bipartisan support for legislation implementing the U.S.-Oman FTA this spring.

I would be pleased to respond to questions or comments from Members of the Committee.

Chairman THOMAS. Thank you, Ambassador. Any Member wish to inquire of the Ambassador? The gentleman from New York.

Mr. RANGEL. Thank you, Mr. Chairman. Let me thank the Chairman, as well as you, for referring to the labor standards that we would find acceptable, and especially for inclusion in a very general way in your statement before us today. You indicate that you are striving to ensure its labor laws provide for labor standards consistent with internationally recognized labor principles, and then you relate that Oman is working with the ILO on these efforts. Can we assume that the USTR office is suggesting that the ILO standards be one in which the U.S. and the government of Oman can agree to?

Ms. SCHWAB. Congressman Rangel, I highlighted the labor provisions in my opening statements because it occurred to me that that might be a topic of some discussion today at the hearing. These labor provisions are a very important part of these agreements, and as you know, we have approached these on a case-by-case basis based on the state of labor laws and reforms in any given country.

To talk specifically about ILO core labor standards, as you know, there are four core labor standards, we address four core standards within these agreements. If you are talking about the specific dotting of "i's" and crossing "t's" of the ILO treaties, it is important to note that the U.S., for example, has ratified two of the eight treaties that correspond to the four standards. It is uneven in terms of the countries that have ratified others. For example, you will find that Sri Lanka and Belarus have ratified all eight. Sudan and Bangladesh have ratified seven.

Mr. RANGEL. I guess I didn't word my question correctly. You know, with intellectual and so many other issues, there is an American standard that we request, and I am pleased to see that the Chairman has asked the government of Oman as to what they intend to do to protect the workers. If we are going to do this on a country-by-country basis and not have an American standard, whether we abide by the standard or not, if the country is saying it wants to, you don't have an objection to these countries having a higher standard in terms of agreeing to ILO provisions just because we don't abide by or haven't signed? There is no objection to their unilaterally agreeing, is there, with USTR?

Ms. SCHWAB. Well, and in fact, in part, as a result of these FTAs, our FTA partners in many cases have really advanced their commitment to and their changes in their labor laws to reflect core

ILO standards. For example, in the case of Oman, the case we are talking about here, Oman passed a major labor law reform.

Mr. RANGEL. I am not saying there hasn't been improvement. What I am trying to do, since we—I am trying to find out whether we can get more bipartisan support. You refer to that in your statement. You know what the major objections have been in each and every trade agreement that has come before this Committee. It has been unclear to me, unless you have discussed it with the staff of the Democrats, as to what USTR believes is acceptable as it relates to getting countries not to enforce their own laws—they may not have their own rules—and not just to deal with improvement, because I am emotionally impressed with many of the developing countries' improvement. To have a standard that Republicans and Democrats can say "this is what America stands for." This is what we believe workers, minimum standards for workers no matter what country it is. I just can't break through the language in which the USTR is willing to accept that could be a standard, so that you don't have to deal with the partisanship that exists on the Committee because of a serious difference of opinion as it relates to the labor standards.

I am just saying, is there any reason why you can't go further and say, "These are basic standards?" You can call them ILO, you can call them USA. You can say, "This is what we expect." Is there any way that you can give us guidance besides country-by-country as to what is it the U.S. of America demands of a country as it treats its workers, as it relates to right to assembly, to organize and to bargain?

Ms. SCHWAB. I think there are fewer differences than your question implies.

Mr. RANGEL. Does your office have basic standards that, instead of us having to deal with country-by-country, does your office have standards that we can talk with and know that when it gets to this Committee, that that is already incorporated in an agreement, and we can then discuss other issues. Why do we always have to get weighed down with this issue as to why there is no basic standard that we have?

Chairman THOMAS. The gentleman's time has expired. Let me pursue a line of questioning that might illuminate for the gentleman from New York, some of the reasons why procedure may be carried on the way it is. If in fact you have—and the gentleman ran through some of the typical labor concerns, assembly, organize, bargain—clear ILO points, and that if we were to use the ILO standards, and that there had to be explicit agreement with the specific ILO standards, and the U.S. wanted to have a FTA with itself, would we meet those standards in terms of the specificity of the International Labor Organization's specific, explicit written requirements?

Ms. SCHWAB. The core ILO standards are broadly articulated, as you know. Refer to free association, the right to organize—

Chairman THOMAS. In other words, you would have to look at what is going on, the specifics of what a country is doing more than a list of objective criteria, which if they say, "Yes, I am for eight, I am for seven, I am for six," and if you are for five or more you are okay. The idea of trying to create an absolute objective check-

list is not a way to deal with—in the Chair’s opinion, and I assume in USTR’s opinion, with reality. For example, we have heard Bahrain. Bahrain is being held up as an example of what we would like. Well, frankly, all Bahrain promised to do was to introduce certain measures. Now, why would introducing certain measures be a more comforting criteria than Oman’s specificity of October 31, 2006, something will happen?

Well, the reason is you have to look at the governmental structure. Bahrain is a monarchy, but they have a parliament. They can’t tell you on October 31st something is going to happen. All they can do is promise to introduce it, and we hope the process works the way we hope it will work, and that the result will be what we want. Why in the world could Oman say, “Hey, October 31st, it’s done,” because Oman is a sultanate that has a consulting group, and they will be consulted with, but the Omani Minister has the ability to write in a letter that October 31, 2006 it will happen.

As far as I am concerned, if I get those two commitments, I have a higher comfort level with the Omanis’ commitment because of its certainty. If we are going to get into an examination of the governmental structure, and we are excited because Bahrain is going to introduce something into a parliament, we all feel comfortable because of our commitment to a more democratic structure, although we all certainly know that a commitment to that process means no guarantee on result. Whereas, with the Omanis, they have guaranteed a result.

I think the reason you don’t have a simple, easy, 100 percent agreed-upon checklist is that everybody deals with it in different ways. What we are looking for is a fundamental core commitment, because then it makes all kinds of sense, that if you can see that they have done what we consider basic, we can require them to match their own laws, and where they fail to do that, those laws being minimally adequate. I think where you really get a difference is not in all those machinations, it is in the fact that the requirement of what it is they should have in their law so that we can punish them if they don’t match up to it, is far beyond what anyone would consider reasonable or appropriate. The goal would be to move in a significant way, the world labor movement forward, but not necessarily benefit a particular country in terms of its attempts.

I cannot tell you how eloquent the President of Peru was, in which he said, “Please look at my formal labor structure. The one the government can control—judge us on that. If you are going to judge us on the informal labor structure, then look at my history, one of 16 children, had to go shine shoes at 6 years of age, try to drag themselves out of abject poverty, and are they going to follow some international labor standard as they are trying to scratch out an existence. Don’t judge me by that,” he asked, and, frankly, I agree with him.

Our job is to look at where they are, where they commit to be, and our comfort level, that in fact, is going to happen, so that when these agreements go into effect, we will hold them to their standards because their standards are minimally acceptable. The gentleman from Florida.

Mr. SHAW. Thank you, Mr. Chairman. Very, very briefly, I want to talk more about the politics of the Middle East and the effect that this agreement, the acceptance or rejection would have on it. One of the best ways to combat terrorism from that part of the world is to build bridges into that part of the world. I will use an old expression, you destroy your enemies by making them into your friends, and there are some good people in that part of the world, and unfortunately, the few bad people over there are extremists and are creating terrible, terrible problems on a worldwide basis. What effect would the acceptance or rejection of this particular agreement have upon those bridges that we are trying to build?

Secondly, how would it affect the Commission recommendations of 9/11 if we had a slim majority or a large majority passing this bill? I believe that in the end we will come together as Democrats and Republicans and iron out the few problems that we have, but I think we do at this point, at this hearing, need to look into the upside and the downside of the action of Congress.

Ms. SCHWAB. Congressman, you raise a very important point. I mentioned the President's MEFTA initiative, and we are well on our way. This is the fifth FTA that would be a piece of that puzzle. One of the things that perhaps a lot of us don't realize is the extent to which these kinds of FTAs are very high profile in the countries involved, the countries where we are negotiating. This is a major issue in Oman, for example.

Therefore, a dramatic embracing of this FTA by this Committee, by the U.S. Congress, would be a very welcome development and a strong positive signal that the U.S. would be sending to the people of Oman about the importance that we place—and not just the people of Oman, by the way, but also on others in the region is implied by your question—about the importance that we place on the region, and the implications of the FTA are not just economic implications. Again, as you noted, they have political implications and social implications going forward.

The rejection of this agreement by the Congress would be an extremely negative development, and obviously, the larger the margin, the stronger the positive message being sent. With economic liberalization, we see political liberalization. The President spoke of this in the State of the Union address. We are striving for a world that is moving away from economic isolationism. Thank you.

Mr. SHAW. Thank you. I yield back, Mr. Chairman.

Chairman THOMAS. The gentleman from Michigan.

Mr. LEVIN. Thank you, Mr. Chairman. I was going to ask you a question about intellectual property and pharmaceuticals, why this agreement goes beyond the CAFTA language. I want to respond to the Chairman. The question is not conventions. We all have signed the declaration. The declaration commits each country to carry out the labor standards, the five international standards. To make that commitment real, it has to be in their laws and practices. Raising the convention issue, I think is really a diversion.

Likewise, the notion that Mr. Thomas has raised that if it is spelled out in exact detail, essentially the U.S. might be caught within it. No one is talking about writing the National Labor Relations Act 1935 (Ch. 372, 49 Stat 449), into an agreement. It is the basic standards in implementing them. I remind the Chairman and

everybody else, in order for it to be actionable, it has to be a violation that would directly affect trade relations between the countries. Putting labor standards into trade agreements is not an open invitation to getting at the labor laws of one country or another. The matters have to affect trade and affect them directly.

I want to get back to this issue relating this country, Oman, but quickly. The Chairman talks about Peru. The problem with Peru's labor laws are not that they don't apply to the informal sector, that is one problem, but they are woefully inadequate in terms of ILO standards in terms of the formal sector, and that is a major problem that we will be talking about. In terms of Bahrain, the Chairman says look at the difference. In this case you have a system of government where the leader can decree by himself, and so then the question arises, why wait until October or November? Why not make sure that before the agreement is carried out, the trade agreement is agreed to, that the laws are in place? If it can be done just like this, what we say is, let them do it as is necessary in other provisions of trade agreements.

Chairman THOMAS. If the gentleman will yield briefly on my time on that point?

Mr. LEVIN. Yes.

Chairman THOMAS. I said the government of Oman is different. It is a consultative government. They do have a formal consultative process. If the gentleman is asking us for the government of Oman to violate its formal consultative process so that you can have in place what you want when you want it, that would be done immediately. All I said was, they could give you the final outcome because it is consultative. The process does take time. It does involve actual consultations. That is why it is not done immediately.

If the gentleman is requesting that the government of Oman not do what it normally does when it makes changes, that is, of course, a request we can make of them, and I will join with you in asking them not to follow the procedure they use in their country to make changes, if that is the request you want to make.

Mr. LEVIN. I am glad that was on your time.

Chairman THOMAS. It is on my time.

Mr. LEVIN. It is not my request.

Chairman THOMAS. Well, okay, then. I won't—

Mr. LEVIN. I am not suggesting that they violate their laws or their processes. They have the ability to act and to act promptly, and not to essentially have us act on an agreement with promises. I simply suggest—and I guess I will go back if there is time and ask our Ambassador—I will go through the various core labor standards, and ask if by any stretch of the imagination, today, they are met. The answer is, in terms of the core labor standards, they are not met. They are not met. They are far from it. Interference in the right of workers to associate. Employers can participate in meetings of employees. If you are not speaking Arabic, you are not allowed to participate in the process.

The ILO makes clear that there are violations across the board today, and what is being suggested here is that the government says it will do, and so, we are supposed to move ahead on a statement as to what a government will do, and those are vague. We don't do that, Mr. Chairman, as to any other provision of a trade

agreement. We don't do that. We don't take a statement of intention. What we do is insist on the embodiment of what we have agreed in the laws and actions of a country.

I fully understand, and I finish with this; the importance of Oman, but for our representative to say here with a straight face that this country is abiding by its obligations under the declaration is simply pretending something that is not true. It is not true. Why do we not sit down, Mr. Chairman, and work on this together? With Morocco—I finish—we were active. We wanted—the more participation the better from the majority. I am glad there was a letter to you. I suggest we sit down on a bipartisan basis with the government of Oman and figure out how they are going to comply with their obligations, and to do it promptly within their processes, so that we have something in place when we move on this. That is all we are asking.

Chairman THOMAS. The gentleman's time has expired.

The gentleman from California?

Mr. HERGER. I request recognition.

Chairman THOMAS. Does the gentleman yield to the Chair?

Mr. HERGER. I yield.

Chairman THOMAS. Thank the gentleman. The gentleman has laid out his criteria on what he wants with Oman in which we don't do what he says that we are going to be doing here with a guaranteed date of enactment. I tell the gentleman, that is exactly what we are doing with Bahrain, except we do not have a conclusion in the agreement with Bahrain. We had a promise that they would introduce legislation, the gentleman's own criteria is not carried out with the agreement with Bahrain. Yet, that has been held up as a model that we really, really like. One thing I do hope we have around here is at least consistency.

I thank the gentleman, and—

Mr. HERGER. Thank you, Mr. Chairman.

Three years ago the President proposed to establish a MEFTA area within 10 years, and in his words, to bring the Middle East into an expanding circle of opportunity. This is the message we are now carrying through the U.S.–Oman Free Trade Agreement. Certainly, there is forward movement in terms of the particular sectors we all typically watch, service, investment, Intellectual Property, or in my case, agriculture. For example, all the agriculture is covered by the agreement whether immediate or over time. The Technical Advisory Committee for Grains and Seeds fully endorsed the FTA reached with Oman, noting that the industry will benefit from the immediate tariff reductions, as well as by Oman's movement toward the science-based Sanitary and Phytosanitary Measures Agreement (SPS) guideline, more transparency, and these procedures.

Similarly, the Fruits and Vegetables Advisory Committee noted that the FTA will provide equity and reciprocity within the fruits and vegetable sector. Still, we are realistic about potential market access in Oman. With \$12 million in total agriculture products exports to Oman in 2005 to a population of 3 million, there is obviously much more to this Agreement than market access in any particular sector. In this spirit and in the spirit of the MEFTA, Ambassador Schwab, how do you view this agreement as contributing

to our efforts against terrorism and how does free trade between the U.S. and Oman help support our other objectives, those of reform and political liberalization in the Middle East?

Ms. SCHWAB. Thank you, Congressman. Thank you for that question. As I had indicated, Oman is part of the President's MEFTA initiative, and you spoke about his commitment to have MEFTA by the year 2013. This is an important step leading to that. This is the fifth FTA that we have negotiated that we have concluded in the Middle East. Israel, Jordan, Morocco, Bahrain, and now Oman. We are in negotiations with the United Arab Emirates, for example. We have TIFAs with a variety of other countries in the region, and it is absolutely the case, and stressed by the 9/11 Commission, about the important link between development and the openness of societies. This is an integral part of our effort to see reform in the Middle East, and, as the 9/11 Commission said, more opens societies and opportunities for people to improve the lives of their families, and to enhance prospects for their children's future. This is a process that we take very seriously.

Obviously, the economic implications are important, and we find when we negotiate FTAs, that those countries really are believers in open trade, and become very important allies for us, for example, in WTO negotiations. We are able to set standards that are higher than the standards that we are able to set in the WTO. Aside from the obvious trade-specific implications, there are very important geopolitical implications here, and I thank you for the question.

Mr. HERGER. Madam Ambassador, again, I thank you and the Administration for this outstanding work, and I think it is so important that we do recognize not only is this of tremendous benefit to our economy, but it helps set the standard in our war on terrorism and on other FTAs. Again, I thank you for your work.

Ms. SCHWAB. Thank you, Congressman.

Mr. RYAN. [Presiding.] Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman.

It is a pleasure to have you before us again—it is the first time I believe. It is nice to have you before our Committee. Let me get back to the legal issues on ILO standards and try to get the USTR's position on this. Do we know what the legal effect of ministerial decisions are as it relates to decrees that are inconsistent with the current laws in Oman? Do they supersede the laws permanently, or is it necessary also to change the laws? What are the legal effects of these ministerial decrees?

Ms. SCHWAB. Our understanding—and this is, perhaps, one of the reasons that each country has a somewhat different formula in terms of how it conforms to its commitments. Each country has a different way of enshrining these particular commitments and in the case of Oman, as you noted, there is a commitment to do by decree a variety of elements that had been requested. The date of commitment, the date that they have agreed to have this done by decree, is the end of October. My understanding is the end of October—this was a question raised earlier—is in part because the Shura, which is the legislative body with which the extensive consultations take place is adjourned for much of the time between June and the end of September, so that is part of it.

In terms of what has the force of law and practice, my understanding is, these have the force of law. We do know that in 2003, the fundamental labor reform legislation or laws were passed in Oman. This is the basis of these changes. In terms of the practices—

Mr. CARDIN. Yes, I want to get to them as well, but also, the fact that they are not going to be in session during the summer months, it would seem to me we should be asking that this action be done before they go on summer recess. After all, I believe there may be some interest in Congress taking up this Agreement for approval before we return from our August recess. It would seem to me that we should be expecting the Omanis to act before they go into recess, rather than October. I just point that out.

The other point, if you would address, deals with compliance. In Bahrain, the USTR was able to get a commitment that we could raise issues under the labor sections of the Agreement if they don't comply with the exchange of letters on the changing of their laws and acting and practice in ILO standards. My question is, are we going to seek a similar type of ability to raise these issues under the FTA if Oman either does not change its practice or change its laws, or is not in compliance of ILO understandings that we have?

Ms. SCHWAB. I think, Congressman Cardin, we are pleased with the commitments that the Omanis have made to the Chairman. These have been—

Mr. CARDIN. If they do not comply, what would be our options? If they don't change the laws, what would be our options?

Ms. SCHWAB. Under our agreement, under the FTA agreement, they are committed, they have committed to enforce their laws.

Mr. CARDIN. I understand that, but if they do not change their laws in October, if after we were—suppose we were to ratify this in June, and the Omanis do not change their laws, what would be our options?

Ms. SCHWAB. Let me suggest that when we negotiate these agreements, it is under the assumption that each side is going to implement the agreement.

Mr. CARDIN. No, that is not correct. We have legally binding commitments to enforce the terms of the FTA, and we could be taken under dispute settlement if we don't comply with our commitments to open market and remove obstacles. My question is, if they do not change their labor laws, what options do we have legally under the agreement?

Ms. SCHWAB. Well, as you know, labor is not the—labor law issues are not the only issues in FTAs where there are side agreements and side letters.

Mr. CARDIN. I know. Do we have any options for enforcement? I mean, enforce your own laws is in the agreement. They have a responsibility to enforce their own laws, but if they don't change their laws by the side agreements that have been raised, do we have the right under the Agreement to raise the issues?

Ms. SCHWAB. Congressman Cardin, let me suggest that empirical—the former academic in me comes out here. I apologize. The empirical evidence is that with every one of our FTAs, the countries that have made commitments associated with the FTA. For

example, in the case of Oman, they started making agreements and changes in their laws—

Mr. CARDIN. In Bahrain, we have that commitment to be able to bring it up under the agreement, and from the way that you are responding, you are not giving me any comfort that we have the ability to enforce the letter that our chairman has referred to and put in the record.

Ms. SCHWAB. Congressman, up to this point that dialog, that exchange has taken place between the government of Oman, and the Ways and Means Committee.

Mr. CARDIN. We look forward to USTR giving us the final exchanges of understanding with Oman, because it is going to be critically important for the support, broad support to get this agreement passed.

Mr. RYAN. The time of the gentleman has expired. I would like to point out to the gentleman that under the FTA, both countries are entitled to change their own laws, even after the agreement is made, in either direction.

Mr. LEVIN. Would the Chairman yield for 1 second?

Mr. RYAN. Yes, go ahead.

Mr. LEVIN. That is one of the problems, because under this agreement, even if the laws were in place, they could later weaken them, and we would have no recourse. What you point out is—

Mr. RYAN. If you want to take that course, we are never going to have any FTA.

Mr. LEVIN. That is not true of any other provision. It is not true of tariff or anything else in this agreement.

Mr. RYAN. The gentleman will suspend. Mr. Doggett.

Mr. DOGGETT. Thank you very much.

Do I understand that the provisions in this agreement concerning the environment are the same as we had in Bahrain, and the same as the trade representative's office is seeing for Peru and Ecuador and Colombia and so forth?

Ms. SCHWAB. Yes, Congressman.

Mr. DOGGETT. Those provisions really don't mandate that any country comply with multilateral environmental agreements that it might have signed, do they?

Ms. SCHWAB. The environmental provisions of these agreements refer to the basic commitments that each side undertakes, the fact that each side will enforce their own laws. In many cases, these countries have undertaken international commitments, and many of these agreements, including this one, have consultative and technical assistant components.

Mr. DOGGETT. There's no penalty for totally disregarding an international environmental agreement that a country has agreed to, is there?

Ms. SCHWAB. There are consultative mechanisms that exist within the agreement, and—

Mr. DOGGETT. You can consult at any time with these countries, can't you?

Ms. SCHWAB. Yes. Although when you are talking about consulting under trade agreements, there are stronger implications about what that means under trade agreements. In addition, obvi-

ously, there is a focus on the enforcement of laws and each country—

Mr. DOGGETT. Just centering in on that then, and knowing that what we are doing here is not just about Oman, it is also about the Galapagos Islands and other environmentally sensitive areas. All that you do is require that a country strive to ensure that it doesn't weaken its laws, and it seems to me that striving to ensure is very different than insuring, that you can strive not to take dollars from Jack Abramoff, but you might still take them, or you can strive to provide adequate armor to our troops, but you might not make it. If a country fails to strive, the only remedy that is provided is that they pay a fine to themselves; isn't that right?

Ms. SCHWAB. Well, the fine is used to help remedy the problem, so a fine to themselves is in the way the fine is used. We have some influence over where that money goes, so that is quite different from the money going to—

Mr. DOGGETT. To the extent that it is a fine limited to \$15 million, it is something you pay yourself to improve your environmental laws?

Ms. SCHWAB. It is a fine that is used in consultation with us in this particular case, or vice versa, that is used to improve the environmental circumstance. Therefore, it is a remedy that is geared specifically to solving the kinds of problems that you have identified.

Mr. DOGGETT. That is not if they weaken their laws, but if they fail to strive to ensure they don't weaken them.

Let me ask you about another subject that I think is also something that what we are doing in Oman applies everywhere, and that is the concern that the American Medical Association has raised to Ambassador Portman about the office seeking to reduce tariffs on tobacco and other trade restrictions on tobacco. This Agreement requires, this agreement with Oman, that their current duty, which is a high one on tobacco, be phased out for U.S. tobacco, which will result in decreasing the price of cigarettes. Decreasing the price, as even this Administration has recognized in its signing the world's first public health treaty, the Framework Convention on Tobacco Control, will result in more use, addiction to smoking and more smoking. With big tobacco having run into at least a few barriers in addicting American children to tobacco and resulting in many ultimate deaths, doesn't this tobacco decrease and resulting price cut just make it easier for big tobacco to kill children in other parts of the world?

Ms. SCHWAB. Congressman, as you know, when we negotiate these FTAs, these are comprehensive agreements. They are comprehensive agreements where we want to see barriers eliminated on both sides. In this particular agreement, the slowest phasing of the tariff reductions are applied to alcohol, tobacco and pork, not surprisingly, given the cultural and religious implications. As to the ability of the government of Oman to address smoking in its society, that is up to the government of Oman, and whether it chooses to place excise taxes or others internally is quite a different matter than what tariff is charged at the border.

Mr. DOGGETT. Finally, as it relates to the investor state provisions, you do provide a mechanism in this agreement for Oman to

use international arbitration to resolve any investment disputes that would extend to services such as any agreement over management of ports or any other kind of service that Oman might choose to engage in, or any future company that incorporated in Oman might choose to engage in. They would use international tribunals, not our courts; is that correct?

Ms. SCHWAB. If you are referring to dispute resolution mechanisms, we have dispute resolution mechanisms articulated within the FTA. They differ in that in some cases there are WTO-related provisions, sometimes there are FTA-related provisions and in some cases, commercial arbitration.

Mr. DOGGETT. If there were a dispute over a port management, we would go to the international—

Mr. RYAN. The time of the gentleman has long expired. Mr. Linder? No questions. Mr. Becerra? Excuse me. Ms. Tubbs Jones is next.

Ms. TUBBS JONES. Mr. Chairman, Thank you very much. Madam Ambassador, how are you today?

Ms. SCHWAB. Thank you, very well.

Ms. TUBBS JONES. When my colleagues have been asking you questions, you seem to have a problem with answering yes or no, and I am just curious about if we could get a yes or no answer to some of the questions that have been asked. For example, if there is an agreement with regard to a letter as we have in this instance, where the persons or the country says they are going to implement a labor standard and they do not implement the labor standard, what is the recourse?

Ms. SCHWAB. Congresswoman, I apologize if my answers have seemed long-winded. It may be attributable to the time that I have spend in academia. I will endeavor to provide shorter answers. Unfortunately, the questions that are being asked don't lend themselves to yes and no answers. For example, in the case of the labor provisions of the FTA, in some cases a violation would result in consultations. In some cases a violation would result in kind of the fine that we were talking about. Really, it depends on—

Ms. TUBBS JONES. Understanding there is some violation—some implementation of some violation, but we could not go back and then say, "This Agreement is over with," if there were a labor standard violation that was implemented? We couldn't cut up the agreement under the WTO, and say, "See you later?"

Ms. SCHWAB. You have asked a question that I don't—you know, if I can get back to you in writing on that? I can not imagine an economic circumstance where we would toss any agreement that has been signed by the U.S., approved by the Congress of the U.S. through the passage of implementing legislation, and signed into law by the President. I can not think of a situation where it could unilaterally be tossed overboard on economic grounds.

[The written response from Ambassador Schwab follows:]

The agreement allows either party to withdraw from the agreement 6 months after having provided written notification to the other party.

Ms. SCHWAB. On the other hand, if, for example, you are talking about an issue related to national security—let's take a national security example.

Ms. TUBBS JONES. Yes.

Ms. SCHWAB. If there were a national security problem with the implementation of some part of the Agreement, the FTA, and in fact, all of our WTO agreements, have an essential security out. In that case, we could step outside of a trade agreement for national security reasons. Any country can do that. Unfortunately, some of our trading partners have used that—sort of have abused that and used national security as an excuse for protectionism. In that particular instance—that is an example where there is a specific out.

Ms. TUBBS JONES. Okay. For example, if Oman has inadequate protection against forced labor, inadequate protection against the worst forms of child labor, and inadequate protection of foreign workers from forced labor, and there is no way in which we could destroy an agreement if they don't comply with those situations, which they don't currently comply with, it really doesn't make any sense that we should enter into this agreement at all if we don't know that those three things cannot be taken care of.

Ms. SCHWAB. I think, Congresswoman, any objective observer of what Oman has done in the labor arena in the last several years in anticipation of, and in connection with the FTA, would say that they have made dramatic improvements both in the law and in the practice of their treatment of workers. For example, when you talk about foreign workers, they are covered by the right to organize, the right of free association. They are covered by the collective bargaining provisions that are in the labor laws.

Now, recognizing that 2003 was when this new law was enacted, clearly, Oman has a ways to go in the implementation arena. We know that they are consulting closely with the ILO, for example, to figure out how they could educate their workers—

Ms. TUBBS JONES. I understand, Mr. Chairman, I am out of time, but it is her long answers, not my long questions that are taking up my time.

Ms. SCHWAB. Oh, I apologize. I was looking at the clock and I thought you still—

Ms. TUBBS JONES. I didn't tap, he did.

Mr. RYAN. I tapped.

Ms. TUBBS JONES. Mr. Chairman. Will you allow her to finish the answer, Mr. Chairman?

Mr. RYAN. Yes.

Ms. SCHWAB. Just summing up very quickly, I think Oman has recognized that they have a ways to go in terms of the implementation. I think there are very clear steps that have been delineated in terms of commitments that they have made, in terms of their ability to implement those commitments, and absent the FTA and negotiations for the FTA, we would not have seen these kinds of improvements.

Ms. TUBBS JONES. Therefore, even though they have a long way to go, you still recommend we implement such an agreement?

Ms. SCHWAB. Absolutely, yes.

Ms. TUBBS JONES. Thank you.

Mr. RYAN. Thank the gentlelady.

Let me take some time. I appreciate the gentlelady. I think what we haven't discussed in this hearing is the big picture here, and I want to make basically three points, but first on the big picture.

This is an area where we have had some great bipartisan successes I think in trade agreements with the Middle East. This is part of a broader picture, and that broader picture is, through these trade agreements, we are able to successfully bring together our countries. We are able to successfully bring together the people of America with the people of the Middle East to foster greater understanding. With these trade agreements, we are also able to bring forward more openness and more freedom in these other societies, these closed societies. When we get these trade agreements, we strike a blow for women's rights. We strike a blow for workers' rights. We strike a blow for freedom and free enterprise, and we help put into place the institutions that bring more democracy and freedom, and so this is a good thing, and it is something that is a very fairly non-controversial part of our foreign policy.

Mr. CARDIN. Would the gentleman yield on that point?

Mr. RYAN. Sure.

Mr. CARDIN. I appreciate that, because I agree with everything you said. I just would ask the USTR to be sensitive on the worker rights provision that you just—

Mr. RYAN. That is what I want to go to next.

Mr. CARDIN. Just a response to your question with Ms. TUBBS Jones, the letter is not enforceable. What you negotiated in Bahrain, we can bring up for consultation under the Agreement. What Mr. Thomas got in exchange, there is no opportunity under the agreement. My only point was, and I appreciate you yielding, is, please, as you submit the final documents to us, give us something that will give us hope that these minimum worker rights are going to be adhered to after we have approved the agreement, because attention is very short lived.

Mr. RYAN. Okay. Point taken. Point number two. Look where Oman is today. Oman is a phenomenal ally to the U.S. Oman has historic ties to our country. They have been a great ally in the war on terror. They have been a voice of moderation in the Arab world. One area that I think is probably most important is in the area of women's rights. Oman has the first woman ambassador to the U.S. She is here with us today. They have women in elected office. They have appointed women to the Ministry and the Judiciary. In fact, Oman is the only country in the Gulf with women in all three branches of government. Women constitute nearly 30 percent of the workforce in Oman. This is important. They have already made great strides in other areas.

Let's now talk about labor. In labor, this is where we are all agree there is need and room for improvement. We passed, I think, the biggest bipartisan vote of a trade bill, in this Congress at least, or in a long time, was the Bahraini trade agreement. The question is: does the Omani trade agreement meet what we now kind of consider the Bahrain standard or not? I believe it does, but we need to discuss to make sure we both agree that it does.

Let's compare it to the Bahrain agreement for a moment. Bahrain committed to seek accession to the ILO Conventions 98 and 138, and incorporate this into their laws. Oman's issues are more with the Conventions 87 and 98. They are seeking accession to these conventions, and they will incorporate them into the laws,

and they have already given us a date certain, by October 31st, 2006. Sandy, just let me finish, if you will.

They submitted to their parliament, amendments. Bahrain submitted to their parliament amendments to improve anti-union discrimination and work to ensure that penalties are stiff enough. Oman has committed to doing the same thing by ministerial decree. Bahrain amended its laws to allow for more than one union per employer. Oman has committed to doing the same thing. Bahrain eliminated the requirement that all unions belong to one federation. Oman has committed to doing the same thing. Bahrain insured that technical requirements for a strike do not exceed ILO standards. Oman has committed to doing the same thing. Bahrain provided notice to labor panels and other bodies to have them reflected in actions even before the law was changed. Oman will seek the view of interested parties. That comes to this timing issue. I would argue that we want them to take a little bit of time to put these agreements in place so that they consult interested parties, so that they can consult ILO, the technical aspects of it, the labor unions' interested parties. It does take some time to do this, and they ought to be able to take some time to do it so that it is done right in the first place.

Mr. LEVIN. Would the gentleman yield?

Mr. RYAN. Sure.

Mr. LEVIN. First of all—

Mr. CARDIN. Let me just ask unanimous consent the gentleman be given an additional five minutes, because I think this is an important point.

Mr. RYAN. I guess I am the Chair. This is a little new for me up here, so, yes.

[Laughter.]

Mr. LEVIN. First of all, when you talk about the Bahrain standard, it is not being suggested that you can take the Bahrain standard and apply it to every other country.

Mr. RYAN. No, it is not.

Mr. LEVIN. The Chairman said case-by-case, and I hope no one thinks that the Bahrain standard is applicable in other cases just across the board. Bahrain, like Oman, has a power structure that allows for very, very quick action. Let that be clear. Number two, in the case of Bahrain, there was a statement by the government that in practice the rights of workers, and by the way, this isn't just a narrow issue, this relates to globalization, the sharing of the benefits of globalization. Globalization is in trouble in part because in many countries the majority of people aren't receiving the benefits of it. the Bahrainian government told us that in practice, even if the laws did not reflect it, that these basic opportunities for workers were in place. I don't care, frankly, what USTR tries to say. With all due respect, it isn't true today, it simply is untrue. They made some changes a few years ago. If you go through the realities today, they don't meet these basic international standards, not ours.

Number three, Congressman Ryan, we have been talking with them since October, and let's sit down and do this on a shared basis. We have taken on this talking to governments in part because no one else was doing it. We didn't exclude Republicans from

these discussions. With Morocco it was left to us, and they made changes, and they had practices in place in a tradition of workers having freedoms. I mean the Middle East is vital. We prefer to move with an agreement with Oman, but let's not play let's pretend. That is what you are doing.

Mr. RYAN. I am going to have to reclaim my time on that point. Mr. Levin, I think the important question and issue here is, where are they now, and where are they going to be? We received two letters in the last month from the Oman Government, one with five commitments, another one with eight commitments, to, by ministerial decree, making important changes, clarifying workers have the option to reinstatement for improper termination due to union activity; allowing more than one worker representative Committee per enterprise; allowing for more than one federation representing a group; ensuring penalties for anti-union discrimination are sufficient; ensuring technical standards for strikes do not exceed the requirements for ILOs. Many other very, very important worker rights are being committed to, and will be implemented by ministerial decree. I, for one, want to make sure that they take a little bit of time to do it correctly, get the ILO in there to make sure that they are drafted properly.

Mr. LEVIN. Would you yield for a simple question then?

Mr. RYAN. Sure.

Mr. LEVIN. What is lost if the Omani government says it will do it by October? What is—

Mr. RYAN. I think they are saying October 31st.

Mr. LEVIN. Why not wait, as is true for other provisions of a trade agreement, to see if these changes are in place? Why not wait if we care that much about this?

Mr. RYAN. My response would be we didn't do that with Bahrain. Why would we want to do—

Mr. LEVIN. They were in place.

Mr. RYAN. —with Oman now?

Mr. LEVIN. The practices were in place, and because there was a qualify of discussion between the Bahrainis and ourselves. The practices were in place. You have here the ability of a government to meet ILO standards, and to do it within four or 5 months. To say, go ahead on the basis of statements, is an indication, Mr. Ryan, of a lack of certainty. I won't say seriousness. Certainty that is true of every other provision. We don't take promises—

Mr. RYAN. I am going to reclaim just because I want to manage time fairly efficiently here. In my opinion, that is another way of saying we don't trust you, and until you do it, we are not going to act.

Mr. LEVIN. We don't say that about any other part of the agreement.

Mr. RYAN. Let me reclaim time and yield to the gentleman from Florida, and then I will make another point.

Mr. SHAW. I will only take 10 seconds to say, Mr. Levin, what you stated is wrong. Those laws were not in place with regard to Bahrain.

Mr. LEVIN. It was in practice.

Mr. SHAW. That is not all together true either, that is not all together true either. Are we going to look and see what is going

on and then go ahead? I think the question here before the Committee should be, is it to the best interest to the U.S. and to Bahrain, or to Oman, to go ahead with these agreements, or isn't it? That is the only question, I think, as far as this Committee is concerned. I yield back. Thank you for the time.

Mr. RYAN. I will just take a minute to only we need to sit down and talk this out together, and it seems to me we have an extraordinarily good faith effort to improve, substantially improve worker rights in Oman, and that, I think, is largely because of points and concerns raised by the minority. We have great movement on the issues that were articulated very well by the minority side of the aisle. I think we have tremendous movement. You, obviously, don't think it is enough movement. We need to work that out. We need to figure this out.

Let's go back to the big issue here, and that point is, this is a good thing for our country to pass these trade agreements, especially these trade agreements in the Middle East, so that we can improve not only our economic ties with the Middle East, but we can improve our cultural, political ties as well, and that we can put into these trade agreements the building blocks planting the seeds of openness and freedom so that we can improve peace and prosperity in a region that so desperately needs it. We have made these bipartisan in the past. I would like to think we are going to be able to continue to do that in the future. This is a good start and a good step in the right direction. I hope we can bring this to a conclusion fairly quickly.

With that, I will—

Mr. RANGEL. Before the Chairman yields, especially before you yield, where did you get this—

Mr. RYAN. I will yield to the gentleman from New York.

Mr. RANGEL. Where do you get this concept about Republicans and Democrats talking about labor provisions?

Mr. RYAN. You and I talked on Monday.

Mr. RANGEL. I was talking to you as the acting Chairperson, not just—

Mr. RYAN. Well, I—

[Laughter.]

Mr. RANGEL. Where is this policy—

Mr. RYAN. I will reclaim my time, but you and I had a long talk about this very topic on Monday.

Mr. RANGEL. You were not the acting Chairman then.

Mr. RYAN. I am a Republican Member of the Committee.

Mr. RANGEL. Then what you are saying is that you have the ability now to say it is the policy—

[Laughter.]

Mr. RYAN. Reclaiming my time, okay, nice point. Are there any other Members who wish to seek time? Mr. Johnson, did you have a point you wanted to make? Mr. McCrery?

Mr. BECERRA. Mr. Chairman?

Mr. RYAN. Mr. Becerra. Mr. Becerra is recognized.

Mr. BECERRA. Thank you, Mr. Chairman. I enjoyed listening to the exchange, and I would only point out to the acting chairman that there has been good movement, and we should always recog-

nize our friends and our partners when they move in the right direction, or at least move in a direction we think is constructive.

To the government of Oman and its people, we want to make sure it is clear that we appreciate what they are spelling out for us in these letters and the movement that they have expressed toward their labor laws and their practices, and we wish to see them continue that movement. As a President that I think the acting chairman or Mr. Ryan would agree had it right, when Ronald Reagan said, trust but verify, that is all we are asking, it that we be able to verify that these things will occur. Ambassador Schwab, thank you very much for being here. Welcome. Let me see if I can try to ask some questions that will require short responses. Actually, let me ask you a couple quick questions that you should be able to respond to pretty quickly. Do you own a home?

Ms. SCHWAB. Do I own a home? Yes, sir.

Mr. BECERRA. Do you own a car?

Ms. SCHWAB. Yes.

Mr. BECERRA. When you purchased that home, did you purchase it just on a verbal arrangement or agreement with the person selling you that home?

Ms. SCHWAB. No.

Mr. BECERRA. No. You got something in writing, correct? When you purchased your car, new or used, did you purchase it based solely on the verbal representations made by that car salesman?

Ms. SCHWAB. Yes.

Mr. BECERRA. You did?

Ms. SCHWAB. It is a family—you don't want the details.

[Laughter.]

Mr. BECERRA. I probably don't. Have you purchased any other cars?

Ms. SCHWAB. Yes.

Mr. BECERRA. In essence, you have purchased vehicles, you purchased a home, and in each case you come at least home with a document verifying the substance of that agreement that you got when you either purchased or sold a home or purchased and sold a car, correct?

Ms. SCHWAB. Yes.

Mr. BECERRA. I think that is what we are saying with regard to these trade agreements. We are purchasing something here. We are purchasing the goodwill, the partnership with these friends in these other countries or governments, but we want to know what we got. If we do it based simply on a verbal agreement, or a handshake, we ain't got nothing. let me ask you another question. Would this Administration, would the U.S. Trade Representative accept an agreement, a trade agreement with Oman or any other country that said, "enforce your own laws," country, when it comes to pharmaceuticals?

Ms. SCHWAB. Different parts of FTAs and the WTO are treated differently.

Mr. BECERRA. I understand, but I am just asking you specifically. I think that you can just tell me if you think the administration or the U.S. Trade Representative would be accepting of this if we had a trade agreement, negotiated a trade agreement that said

simply: “Oman, enforce your own laws with regard to how you treat pharmaceuticals,” would we agree to that provision?

Ms. SCHWAB. The implication is in contrast to——

Mr. BECERRA. No, no, no. There is no need to contrast. I am just asking isolate just that provision on pharmaceuticals. Forget about everything else for now. If the provision on pharmaceuticals said, “Enforce your own laws, country, Oman, Central America, whatever country, enforce your own laws with regard to pharmaceuticals,” would we support that provision?

Ms. SCHWAB. No.

Mr. BECERRA. If we had a provision with regard to intellectual property that told a country, “Enforce your own laws,” would we agree to that trade agreement?

Ms. SCHWAB. No, nor have we done so in labor if that is where you are going, sir.

Mr. BECERRA. The trade agreement with Oman says, “Enforce your own laws,” correct?

Ms. SCHWAB. There are a variety of provisions within——

Mr. BECERRA. Forcible provisions of the trade agreement say, “enforce your own laws.”

Ms. SCHWAB. There are a variety of dispute resolution and consultative mechanisms with——

Mr. BECERRA. Based on enforcing your own laws.

Ms. SCHWAB. Among other things, yes.

Mr. BECERRA. What other legal requirements, mandated requirements are there under the trade agreement under law——

Ms. SCHWAB. There are consultative requirements related to——

Mr. BECERRA. Consultative, as you heard Mr. Doggett say, anyone can consult at any point in time. That is not a mandated activity that forces you to do something.

Don’t try to confuse the issue. It is very simple. Just the way you wouldn’t buy a car without something that guarantees you a right to defend yourself in court, or buy a home that you didn’t know if it had shoddy construction done to it. This country should not enter into agreements where we can’t enforce the laws. If the only thing you tell a country is “enforce your own laws” and those laws are already weak, we undermine our own ability to protect working men and women, not just in this country, but in those countries abroad. It is a much simpler test than you or anyone else would like to make it look. It is fairly simple and straightforward, that if you just tell a country the enforce its own laws and they are deficient, you are setting yourself up, at least your men and women in your country who work—into a bad deal. I think I have lost the remainder of my time.

Ms. SCHWAB. Mr. Chairman, I would hope I would have an opportunity to respond to the question.

Chairman THOMAS. [Presiding.] Briefly.

Ms. SCHWAB. Briefly. The reason it is important for me to respond, is that it relates to some statements that Congressman Levin also made, and that has to do with the current state of affairs in terms of the current law in Oman. It is important to note that the current law in Oman, the law that would be enforced under this FTA, made some dramatic improvements in Oman’s

laws as they affect worker rights, and that includes the right to associate, to bargain collectively, the repeal of their right to strike. If you want empirical evidence—and these are the provisions of law that are enforceable under this agreement—take the right to strike. There were, as we understand it, 33 work stoppages involving over 6,000 workers last year. We know that there are collective worker groups. We can give you the names of the people who head them up—and some of them are women, by the way—in this Mid-Eastern country. There is a lot that has been done, recognizing that there is progress to make, but there are laws on the books that are effective, that are enforceable under this—

Mr. BECERRA. Don't forget President Reagan's admonition, trust but verify.

Chairman THOMAS. The gentleman's time has expired.

The gentleman from Louisiana.

Mr. MCCRERY. Yes, thank you, Mr. Chairman. I want to thank Ambassador Schwab for her testimony today and her persistence in trying to answer the questions factually, and I look forward to the next panel's presentations. I think that is important.

Chairman THOMAS. Would the gentleman yield briefly?

Mr. MCCRERY. I yield.

Chairman THOMAS. For purposes of illustration, there could easily be a series of questions and I don't expect anyone to react to them, but they could be directed toward any one member of this panel, or in fact, you, Ms. Schwab. It would go somewhat along this line if you really want to get carried away. Are you married?

Ms. SCHWAB. Yes, sir.

Chairman THOMAS. Did you get any written contract in terms of what you were going to do in terms of obligations and responsibilities? You still went through with the ceremony?

I am just telling you, that line of questioning may be interesting, but anyone else wish to be recognized, and I thank the gentleman—

Mr. MCCRERY. I yield the balance of my time—

Chairman THOMAS. I thank the gentleman for the time and yield back.

Mr. RANGEL. Why don't you follow through on your question? This was getting interesting.

[Laughter.]

Chairman THOMAS. I tell the gentleman that each Member should apply it to themselves and ask themselves that question. That, to me, would be far more interesting. Except I am interested in the cardio. We will talk later.

[Laughter.]

Chairman THOMAS. Do you yield back?

Mr. MCCRERY. I did.

Chairman THOMAS. Any other Members? The gentleman from Pennsylvania.

Mr. ENGLISH. Madam Ambassador, I want to thank you for your presentation here today. Again, as the gentleman from Louisiana put it, for endeavoring heroically to answer some of these questions. I have to say, looking at the labor offer that Oman has made, I take a great deal of comfort in it because I have looked at the track record of Oman. Oman has been one of our best strategic

allies in the region. They have been with us when it was very unpopular in the region to be with us. This relationship is very, very important, and I certainly would hate to think that this small FTA would create another occasion for one of our good friends in the Middle East to become a political punching bag, and I, for one, don't want to allow that to happen.

The Sultan of Oman has done an extraordinary job since he assumed his position, replacing his father, of westernizing and modernizing his society and his culture. Obviously, by our standards, they still have a distance to go, but what they have done on the labor front, in my view, is very dramatic, and is something I think deserving of applause, and I will leave it for some of my friends, who have raised these issues, to take all of that into account.

My question has to do with Oman's economic profile, recognizing it is a small market, but it appears that the U.S. is at a relative disadvantage compared to blocks of trading partners when it comes to getting into that market, particularly, the EU-15 and Asia. How will this FTA allow us to penetrate with U.S. exports into the Oman market at levels comparable to European and Asian exports, and can U.S. producers expect to see gains in exports of a broader nature than the current concentration of machinery, transportation equipment and measuring instruments?

Ms. SCHWAB. Congressman, Thank you very much for your question, and thank you for your support of this FTA and your active engagement in the Middle East Economic Partnership Caucus. Although U.S.-Oman trade is relatively small, I would note first of all that the U.S. last year ran a small trade surplus with Oman, and we do expect, as implied by your question, for U.S. exports to Oman to go up in the context of this Agreement in a variety of areas. 100 percent of industrial and consumer goods go duty-free upon date of entry, and virtually all agricultural products, 87 percent of the lines in agriculture go duty-free. This is very significant.

It is also in services, and some of the areas that you have mentioned, with work that we will be doing, for example, with Oman in standards and certification. That has the potential for opening new markets. In textiles and apparel with this assessment's rules of origin, there is potential for increased U.S. exports that have not been there before, in addition to the export areas that you mentioned, which we would expect to grow, automotive, medical, optical equipment and so on.

Mr. ENGLISH. Thank you.

Thank you, Mr. Chairman.

Chairman THOMAS. Thank the gentleman.

Thank you very much, Ambassador.

Chairman THOMAS. The Chair would request the next panel. The Hon. Frances D. Cook, Chairman, Ballard Group and former U.S. Ambassador to Oman; Nicholas Billotti, President and Chief Executive Officer of Turner Construction International from New York; Michael P. Weitzel, Program Manager, DynCorp International, Muscat American Business Council in Muscat, Sultanate of Oman; Richard L. Trumka, Secretary-Treasurer, American Federation of Labor, AFL-CIO; Roger R. Schwartz, Business Vice

President, Polyethylene, the Dow Chemical Company in Midland, Michigan. I always thought everything was Maryland.

You all have written statements, and we will be pleased to make it a part of the record, if you, in the time you have, wish to address us in any manner you see fit. It just seems appropriate the Chair would start on the far left with Ambassador Cook, and then move down the line.

STATEMENT OF THE HONORABLE FRANCES D. COOK, CHAIRMAN AND PRINCIPAL, THE BALLARD GROUP, LLC; AND FORMER UNITED STATES AMBASSADOR TO OMAN

Ms. COOK. Thank you, Mr. Chairman, distinguished Members of the House Ways and Means Committee, and friends, good afternoon. Thank you for inviting me to appear before you in support of the passage of the U.S.–Oman Free Trade Agreement. My comments are in my personal capacity as an American citizen and as former U.S. Ambassador to Oman. They are uncleared by the Department of State.

I will summarize my remarks, and the full text you have for the record.

I am going to try to speak to some of the issue raised in conjunction with the passage of this FTA in the hearing this morning, and try to explain Oman a little bit as I came to know it.

The key to understanding Oman, I think, is the Sultan himself. In only 35 years he has taken his nation from an almost closed and near medieval state, to the vibrant and welcoming country that we know today. From three small primary schools, Oman now has 600,000 children in the classroom, and English is required from grade one. From an American missionary run 12-bed hospital, Oman is now recognized by UNICEF as providing among the best primary health care in the world.

From less than 10 miles of hard-surface road, Oman now boasts thousands of kilometers of super highways. From a few sleepy fishing ports, Oman now boasts the 11th busiest state of the art container terminal in the world, built during my time in Oman by an American company, I would add. How has the Sultan managed such a transformation, working with much smaller hydrocarbon revenues than other Gulf states, while dealing with a historically disputatious and tribally based population? Therein, I think, lies the political skills of the man.

From 1970 he enunciated very big goals, they were really dreams, for a people who were just emerging from a grinding insurgent war in the south. The Sultan proclaimed that a modern state living in peace with its neighbors was his goal, but he never coerced or forced changes on his citizenry. He has proceeded on an evolutionary, gradual, deliberate track. After each move or new institution is announced and has been accepted and absorbed, he moves things on up a notch. This has been as true of reforms in education and the Omani legal system, as it is in gender equality and in Oman's evolving political institutions.

I was there when Oman's first constitution, called the Basic Law or Statute, was announced. Omanis are proud of their country, but I don't think I have ever seen them prouder than that day. The

document that he gave them actually includes something that we would call a bill of rights that would be recognizable as such to our Founding Fathers in Philadelphia.

The role of religion, in my own analysis, is what has helped Sultan Qaboos in his reform program, specifically, the predominant Ibadhi brand of Islam, which is preponderant in Oman. Its chief characteristic is a deep tolerance of others. When you combine that with Oman's historical seafaring tradition and long exposure to others' cultures and religions, it produces a people who are secure in knowing who they are and who can therefore accommodate other people and beliefs more easily it seems than other groups in the Middle East.

The Ibadhis, for example, worship alongside other sects of Islam, the Sunni, the Shi'a, in their mosques, just as they are used to seeing churches built on land granted by the Sultan, and Hindu temples in their cities. The Sultan's unwavering quest for peace in the region has led Oman almost uniquely to pioneer in several other areas, some of which have been mentioned already this morning. Alone in the Arab Gulf, Oman has negotiated and formalized all of its land borders and had them registered at the United Nations. Alone in the Arab Gulf, indeed in the whole Middle East, Oman stood by Egypt after Camp David. Alone in the Arab Gulf, Oman still hosts a Track II Middle East Peace Process Institution, the MEDRC, with full Israeli membership.

Water, most experts agree, will likely be the source of future tensions in the region, so MEDRC Center works to develop lower-cost desalinization methods for coastal states and to rationalize water usage in the region. I still recall the day when the Permanent Secretary of the Israeli Foreign Ministry came into my office in Muscat to show me a one million dollar Israeli contribution check to MEDRC. They have since added another million to the pot, and that has been created and continues to be overseen by Ministry of Foreign Affairs in Oman.

It is a little hard to talk about Arab-Israeli relations right now because they have deteriorated after the second Intifada, but during that time there was a great flowering, and we welcomed Israel's first trade representative to Muscat in 1996, and helped him set up an office. During that time we even had Israeli firms participate in trade fairs in Oman, and Omani trading houses sent management personnel to Israel to establish commercial ties. I even welcomed some Israeli friends, who came with their children to vacation in Oman. That was a very hopeful time, but I think it was also an important lesson, that small states with visionary leaders can show the way. I would hope that these pioneering efforts by Oman will be remembered in Washington.

Let me move quickly to the labor situation in Oman.

Mr. RYAN. [Presiding.] Ambassador, could you wrap up, please?

Ms. COOK. Yes, please, okay. I would just say that all of the Gulf states have had large expatriate labor forces because they have tried to develop quickly with their oil resources while they are getting their own population educated. I think the recent reforms that you have been informed of today are absolutely in the right direction, and they will be honored.

One of the things I want to demonstrate, I think, in my comments is that Oman does honor its agreements. It has honored its agreements with us from the beginning, and I think that they have earned the kind of respect and friendship that this treaty implies. Thank you very much.

[The prepared statement of Ms. Cook follows:]

**Statement of The Honorable Frances D. Cook, Chairman and Principal,
The Ballard Group LLC, and former U.S. Ambassador to Oman**

Mr. Chairman, distinguished members of the House Ways and Means Committee, and friends:

Thank you for inviting me to appear before you in support of passage of the U.S.–Oman Free Trade Agreement. In preparation for this hearing, I reviewed earlier testimony, and asked myself what further information I could provide, to facilitate the Congress' decision-making in this matter? Unlike other witnesses, I have actually resided in Oman, so I bring personal experience to the table. I am the daughter of a union member, and have honored, throughout my lifetime, the contributions of working men and women to our own development, as a society, and a nation. I believe, in fact, the Congress and the AFL–CIO rightly focus on labor commitments in *all* trade agreements negotiated—by any administration—in our globalizing world. I was in Oman when the first tentative steps were taken with Israel, so I can speak to that issue. Finally, my specialization in the Foreign Service was in the political-military sphere, so I'd like to review, briefly, for you, the absolutely key role that Oman has played in our various engagements against Middle East extremism in recent decades—and the support the Sultanate provides to our men and women in uniform. More broadly, I'll discuss my personal support for the notion (as stated in the 9/11 Commission's final report) that any comprehensive U.S. strategy abroad, must include economic policies and engagements that encourage broad economic development and provide opportunities for families to enhance prospects for their children's future. The FTAs that USTR is now negotiating in the region are key components of that effort.

Understanding Oman

The key to understanding Oman, which remains relatively unknown in America, is the Sultan himself. In only 35 years, this remarkable leader has taken his nation from an almost closed, and near-medieval state, to the vibrant and welcoming country we know today—

—from 3 small primary schools, Oman now has 600,000 children in the classroom, and English is required from Grade One;

—from an American missionary-run 12 bed hospital, Oman is now recognized by UNICEF as providing among the best primary health care in the world;

—from less than 10 miles of hard surface road, Oman now boasts thousands of kilometers of super highways—

—and from a few sleepy fishing and dhow ports, Oman now boasts the eleventh busiest, state of the art, container port in the world . . . built during my time in Oman by an American company (Sealand, now owned by Maersk) I'd add.

How has the Sultan managed such a transformation, working with much smaller hydro-carbon revenues than other Gulf states, while dealing with an historically disputatious, and tribally-based population? Therein lies the genius of the man, I believe. From 1970, he enunciated very big goals—dreams, really—for a people just emerging from a grinding insurgent war in the country's south. The Sultan proclaimed that a modern state, living in peace with its neighbors was his goal. But he never coerced or forced changes on his citizenry. He has proceeded on an *evolutionary*, gradual, deliberate track—after each move, or new institution, has been accepted, and absorbed, he moves on up a notch. This has been as true of reforms in education, and the Omani legal system, as it is in gender equality, and in Oman's evolving political institutions. I was there when Oman's first constitution, called the Basic Law or Statute, was announced. Omanis are proud of their country and their Sultan, but I don't think I've ever seen them prouder than on that day. They understood that the Sultan had given them a document—he wrote it himself, he told me—and a roadmap forward, that exceeded anything else we have seen from the Arab world. It even includes what we Americans call a Bill of Rights, that would be recognizable, as such, to our Founding Fathers in Philadelphia.

The Role of Religion

My own analysis, for what it is worth, is that Sultan Qaboos has been aided in his reform programs by the predominant Ibadhi brand of Islam which is preponderant in Oman. Deep tolerance of others is a hallmark of Ibadism—and when combined with Oman’s historical seafaring tradition (Omanis were head of the Foreign Traders Committee in the Port of Shanghai in the 11th and 12th centuries; many of today’s government ministers grew up in East Africa, when Zanzibar and coastal East Africa was part of Oman’s empire), it produces a people who are secure in knowing who they are, and who can therefore accommodate other people and beliefs more easily, it seems, than other groups in the Middle East. Ibadhis worship alongside others sects of Islam (Sunni, Shi’a) in their mosques, just as they are used to seeing churches (built on land granted by the Sultan) and Hindu temples in their cities. This kind of balanced world view, combined with a longstanding and unwavering quest for peace in the region, has led Oman, almost uniquely, to pioneer in several areas . . .

Peace is the Goal

—alone in the Arab Gulf, Oman has negotiated and formalized all of its land borders, and had them registered at the United Nations. (It doesn’t get much coverage here, but throughout my stay in Oman, there were deadly confrontations, on various *other* borders in the oil-rich Arabian peninsula, and that remains the case today.)

—alone in the Arab Gulf (indeed in the Middle East), Oman stood by Egypt after Camp David (an Omani representative was among those killed when dissident Egyptian military personnel assassinated President Anwar Sadat in the reviewing stand in Cairo)

—alone in the Arab gulf, Oman still hosts a Track II MEPP institution, MEDRC—with full Israeli membership. Water, most experts agree, which is in inadequate supply throughout the Middle East, will be the source of future tensions in the region. So, the MEDRC Center works to develop lower cost desal methods, for coastal states; and to rationalize water usage in the region. I still recall the day when the then-PermSec of the Israeli Foreign Ministry came to my office in Muscat to show me the \$1 million Israeli contribution (it has since grown to \$2 million) to the functioning of MEDRC, which was created, and continues to be overseen by one of the finest diplomats I knew in my long career at State, the Under Secretary of the Omani Foreign Ministry. (I’d add that that diplomat, along with his Minister of State for Foreign Affairs, were sent by Sultan Qaboos to PM Rabin’s funeral in Jerusalem. Before taking up my post in Muscat, I had the honor of discussing, with PM Rabin, his trip to Oman, and can describe his attitude toward Oman later during the Q & A, if there is interest.)

Arab relations with Israel have been complicated greatly by the lack of recent progress toward overall peace, and by second *“intifada”*—and the endless televising of its brutality into Middle Eastern homes. I was in Oman during the period between the two *“intifidas”*. I welcomed Israeli’s trade representative to Muscat in 1996, and help him set up an office (that was an embassy in everything but name), reciprocating what Oman had in Tel Aviv. During that time, we even had Israeli firms participate in a trade fair in Oman, and Omani trading houses sent management personnel to Israel to establish commercial ties. My Israeli colleague and I were pleased to welcome on a visit Israeli’s trade rep from Qatar (the only other state to have an Israeli trade office in the Gulf), and during this period I also welcomed Israeli friends who came to Oman on vacation, with their children, and stayed with me at the official U.S. residence. What a hopeful time that was! It is a bit painful for me now, to recall those days (the trade office effort is was “suspended” in 2000), but Americans did learn an important lesson about Oman’s commitment to Middle East peace—and that small states, with visionary leaders, can show the way. I would hope that these pioneering efforts by Oman, based on their own analysis of how to develop relations, across an historic divide, are not forgotten in the current atmosphere in Washington.

Labor in Oman

Let me move quickly to the labor situation in Oman. Labor is a complex issue in all of the GCC states in the Gulf, due to their reliance on foreign labor—in order to develop modern economies quickly, using new oil monies, while their own people are being educated. Oman, which has the second largest population in the GCC, is now in the midst of a large “Omanization” process, putting trained Omanis to work in slots formerly held by expats—at the same time it is opening up to tourism, and all of the jobs that will undoubtedly create for locals.

When I was served in Oman 1995–1999, my labor reporting officer and I were aware that Oman did not have in place the various protection mechanisms required

by the ILO. We asked a lot of questions, and nudged—not because of any instruction from Washington, nor because there was any apparent labor unrest—but because it was an appropriate activity for representatives of a nation which values its working men and women. I have been very pleased, through this FTA process, to learn that the excellent Labor Minister, who was named just as I was leaving Oman, put priority on Oman's ILO compliance, and enacted a comprehensive labor code in 2003. This is obviously a work in progress—with “Omanization” and training undoubtedly remaining the top labor priorities in the Sultanate—but I refer you back to earlier comments on evolution and gradualism in all of Oman's modern reforms. Nonetheless, the right to organize and to strike is now law—and the Minister of Commerce reports 33 strikes (involving 6000 workers) in 2004 alone. So, I think Oman is now ahead of most of its neighbors, in implementing a modern labor code. I'd think we'd want to encourage that move, rather than harm it, through the FTA process. I can also speak to the conditions of the large population of foreign workers in Oman, in the Q & A session, if that would be of interest to this Committee.

Close Security Cooperation is the Foundation of our Ties

Again, because of the Sultan's vision, our security ties with Oman are both the longest-lived, and the most proven, in the region. A quick glance at a map will demonstrate why they are as valuable today, as when they were initiated in the Carter Administration.

Again, the Sultan moved in this arena far before any of his GCC peers. (After being educated at Sandhurst, he served with the British Army in Germany—where he came to know the U.S. military at Garmisch, he once told me.) In fact, Kuwait offered Oman a multi-million dollar “package” of incentives NOT to sign an access agreement with the United States, so leery were they of a foreign presence in the Gulf after the British departure! Ten years later, at the time of the first Gulf war—to expel Iraq from Kuwait—the prepo supplies and equipment we had in Oman, valued then at over \$1.5 billion, saved 4–6 months in the build-up prior to the commencement of hostilities. Again, look at the map and consider the attitude of our host in Oman—you then won't be surprised also to learn that the first humanitarian food deliveries CENTCOM made to Somalia came from the Oman prepo, just as the first supplies to the Balkans, by EUCOM, came from the same place. *Still, we have no “bases” in Oman, and seek none.* Our supplies—Harvest Falcon sets, fuel, military hospital kits, emergency food rations, and vehicles—are all co-located on Omani air bases, where Oman's highly professional military treat our soldiers, airmen and contractors, with great professionalism. We have run some very select operations from Oman over the years, which would be best discussed in a classified session. But two which have been in the media, are Oman's help in the “Earnest Will” re-flagging operation, in the late 80s, out of Masirah Island. And the first combat use of American B-1's, was also out of Oman, during my time there. In all these delicate security operations, in a very dangerous part of the world, Oman's size abets its vaunted discretion. U.S. strategists have considered themselves lucky to deal with a leader, over the decades, who understands both our historic reluctance to use military power—and our commitment to our troops to provide the best possible support once we opt to engage. As someone who spent part of her career negotiating military access agreements, as well as a renewal in Oman, I have never had the slightest doubt that the reason Oman has been such a steadfast partner for the United States of America, is that the Sultan has always viewed our security cooperation as profoundly in Oman's best interest. In that, he is right.

In conclusion, let me just note that the Sultan was also right to instruct his Ministry of Commerce to engage in a series of trade negotiations—with WTO, with India, with us. Oman will benefit not only from the greater transparency and enhanced regulatory environment that these agreements require, but—in spite of the now small amount of foreign trade between our two states—America will gain, too. A level playing field, and strict IPR enforcement, in signatory states, will be a big boost to U.S. industries—many of which are only now looking to invest abroad, and spread their wings to the export markets of the world. This is a win-win proposition for both sides (the best agreements always are), because it advances, in a significant way, America's historic goals of peace and development in the Middle East region. The Sultanate of Oman, as I've tried to demonstrate, has clearly earned the right to be treated as a full-fledged partner of our nation. And, I hope this committee, and the Congress, will so vote.

Thank you for your attention.

Mr. RYAN. Thank the Ambassador. Mr. Billotti, and I also want to let every witness know that your written statements will be included in the record, so if you could keep your statements to 5 minutes, we would appreciate that.

STATEMENT OF NICHOLAS BILLOTTI, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TURNER CONSTRUCTION INTERNATIONAL LLC, NEW YORK, NEW YORK

Mr. BILLOTTI. Thank you, Mr. Chairman. I will spare you from the entirety of my written text. Mr. Chairman and distinguished Members of the Committee, thank you for the opportunity to testify today on the proposed FTA between the U.S. and the Sultan of Oman. My name is Nick Billotti, and I am the President and CEO of Turner Construction International, which is a subsidiary of the Turner Corporation, the U.S.'s leading general building contractor. Internationally, Turner manages projects of more than 8.2 million square meters in building area, with a value in excess of U.S. \$12.2 billion. We are headquartered in New York City, and we provide comprehensive, professional building services in Africa, Asia Pacific, Europe, Latin America, the Middle East. Our area of expertise centers on program management, project management and construction management.

We have been working in the Middle East for over 30 years on many landmark projects, and we have formed many strategic relationships with companies in the region. As members of the business community in Oman, we work hard to build strong relationships with our local clients, architects, subcontractors, laborers and government. Additionally, we are a member of the American Business Council of Oman.

Today, we are active on three major programs in Oman. We work to manage the design, the procurement and the construction of a large resort called Al Jissah, which is a combination of three hotels that is valued at approximately \$145 million. We are working on an enormous theme park entitled The Wave, which is valued at approximately \$800 million, and we are also working to build support facilities for F-16 fighter planes at Thumrait Air Base in Oman.

I can tell you from my own experience of 30 years in dealing with the Middle East, that our business deals in Oman have all been extremely fair, they are wholly transparent. We have no sponsor. We have no agent. We have no barriers to entry, and on a personal level we enjoy the relationships that we have developed with so many of our Omani clients.

I will tell you as a construction manager, we have a great deal of influence on the selection of architects, engineers, and for the selection of so much of the equipment and materials that are put into the projects. As an American based company, we have an affinity for American based architects and engineers because of the expertise that they bring. I will tell you, on all three of our projects, we have American architects and engineers working. Those architects, and particularly engineers, have a great deal to do with the manufacturers that are specified for the supply of major pieces of plant and equipment, and there are numerous examples on the project's on which we work, where Americans have been very successful in trade with Oman.

I will tell you that if this FTA goes through, it will give us even greater incentive to recommend to our clients for the purchase of American manufactured goods and materials. In our view, the FTAs that are currently being negotiated with countries in the Middle East will help both sides economically, increasing exports, generate jobs and developing common business practices. Labor has been a particular hot button today, and I will tell you, on those projects where Turner is involved, we work extremely hard to enforce the same standards that we employ here in the U.S. The same personnel policies that we employ in the U.S. are mirrored for all of the staff that work for us in Oman.

The safety standards that we employ on projects here in the U.S. are written into our contracts for the contractors and the sub-contractors who work on our projects. As Americans participate in the economy of Oman, we tend to take those standards that we employ and introduce them, and I think Oman is better for that, and I think that we are better for that. Agreements such as the one contemplated today represent the firm base from which U.S. interests, already present in the country, can move ahead for the benefit of both countries. A snapshot of our work—this is the propaganda portion—in Oman can be found in a recent issue of the U.S.–Arab Tradeline. It is the monthly newsletter of the National U.S.–Arab Chamber of Commerce, and in our opinion, the newsletter provides excellent overview of U.S. and Oman relations, and with your permission, Mr. Chairman, I request that this special issue of the Tradeline be included in the record of today's hearing. I thank you for the opportunity to testify.

[The information is being retained in the Committee files.]

[The prepared statement of Mr. Billotti follows:]

**Statement of Nicholas E. Billotti, President and Chief Executive Officer,
Turner Construction—International LLC, New York, NY**

Mr. Chairman and distinguished members of the committee: Thank you for the opportunity to testify today on the proposed Free Trade Agreement (FTA) between the United States and the Sultanate of Oman.

My name is Nick Billotti, and I am President & CEO of Turner Construction—International, a subsidiary of The Turner Corporation, the United States' leading general builder. Internationally, Turner manages projects of more than 8.2 million square meters in building area, with a value of some U.S. \$12.2 billion.

Headquartered in New York, Turner Construction—International provides comprehensive professional building services in Africa, Asia-Pacific, Europe, Latin America and The Middle East. Our area of expertise centers on program management, project management, and construction management.

Turner has worked in the Middle East for over 30 years on many landmark projects and we have formed strategic relationships with many companies in the region. As members of the business community in Oman, we work hard to build strong relationships with local clients, architects, subcontractors, laborers, and the government. Additionally, Turner is a member of the American Business Council of Oman.

American firms have a reputation for quality in Oman and Turner is doing its best to live up to that reputation. We bring high standards to every project we work on and we insist that our clients adhere to those standards, especially as they concern the health and safety of our staff and the subcontractors on our jobsites.

Working with our clients and the government in Oman has been a positive experience with transparency in all of our business dealings. In fact, Turner has never experienced a lack of transparency in our work in Oman. We have found that the standards on our jobsites are not compromised and regulations are strictly adhered to by our clients and their subcontractors. Turner works hard to enforce these standards to ensure that our jobsites are well staffed with workers who are properly fed, properly clothed and paid on a timely basis.

Over the past several years, Turner has fostered strong ties with many Omani firms that work on our projects as general contractors and laborers. We are planning to hire qualified Omani engineers and architects to join Turner as it benefits our organization to have local staff on our team.

Additionally, our staff at The Wave project is planning a mentoring program for local students who are pursuing engineering degrees. This is similar to programs that Turner runs in the U.S. and will give Omani students an opportunity to work for an American company and gain firsthand job experience.

Today, Turner is currently working on the three distinguished projects in Oman which are indicative of the strong and growing ties that exist between U.S. business and the Sultanate:

Turner served the project manager for the recently completed Shangri-La Barr Al Jissah Resort in Muscat, a project with a construction value of U.S. \$145 million. The resort includes a total of 680 rooms and suites in three separate hotels. This luxury hotel is scheduled to celebrate its grand opening this month.

As an extension to the successful work just completed at the Barr Al Jissah, Turner has been assigned to work on a new program for the construction of 125 residential units on the grounds. The residential complex will consist of 75 apartments, 30 townhouses and 20 villas.

In both of these efforts, Turner led a global team of engineers, contractors, and consultants including the U.S.-based design firm, Wimberly Allison Tong & Goo, and managed the inclusion of many suppliers from the U.S. who exported their goods to the project such as Superior Boiler Works and Baltimore Aircoil—two leading manufacturers of mechanical equipment.

Turner is also working as project and construction manager for Oman's tourism and beach front residential project, The Wave, also in Muscat, an \$800 million construction project which will include a Greg Norman signature golf course, a 300-berth marina, villas, apartments and several themed hotels. Both the architect for the project, OBM, and golf course designer, Greg Norman Golf Design, are based in Florida.

Finally, at the Thumrait Air Base for the Sultanate, Turner is managing construction of facilities for twelve U.S. manufactured F-16 fighter jets. This exhibits not only Turner's commitment to the nation, but also the U.S. aircraft manufacturing community.

In addition to these projects, Turner was also a corporate sponsor for "A Celebration of Omani Culture" at the Smithsonian Castle in Washington, D.C. in June, 2005.

In my travels to Oman, I have become acquainted with a beautiful country where the people are open and extremely generous. I have been particularly impressed by the Omanis' respect for the environment and their desire to incorporate standards that respect the environment into their construction projects. For example, our clients have made special efforts to preserve the coral reef and the turtle breeding grounds at the Bar Al Jissah, and we are working with the client at The Wave to create an eco-sensitive building program.

Overall, I believe that industry and tourism, the pillars of Oman's sustainable development, are segments in which American businesses will continue to flourish and that there is great potential for Turner to work on additional projects in the Sultanate.

In our view, the Free Trade Agreements that are currently being negotiated with countries in the Middle East will help both sides economically: increasing exports, generating jobs and developing common business practices. With each new project and private transaction between U.S. and Omani firms that conform to the international marketplace, this already solid trading partnership will continue to improve and grow in value to the citizens of Oman and the overall U.S. services industry of the region. Agreements such as the one contemplated today, represent a firm base from which U.S. interests already present in the country can move ahead for the benefit of both countries.

Specific to the construction industry, I believe the FTA will bring practical benefits to U.S. firms. Our firm's early involvement in construction projects often allows us to influence clients' choice of consultants on the project, including the selection of architects, engineers and others.

We often suggest U.S.-based firms, as we are familiar with the high-quality of their work. In turn, these consultants usually specify American-made materials for these large projects. It is part of Turner's job to help clients obtain the best value for their projects. This FTA will help us recommend U.S.-based companies to clients at more competitive prices.

A snapshot of Turner's projects in Oman can be found in a recent special issue of *U.S.-Arab Tradeline*, the bimonthly newsletter of the National U.S.-Arab Cham-

ber of Commerce. In our opinion, this newsletter provides an excellent overview of U.S.–Oman relations. With your permission, Mr. Chairman, I request that this special issue of *Tradeline* be included in the record of today's hearing.

Thank you for the opportunity to testify today.

Mr. RYAN. Thank you, Mr. Billotti. Mr. Weitzel?

**STATEMENT OF MICHAEL P. WEITZEL, PROGRAM MANAGER,
DYNCORP INTERNATIONAL; AND PRESIDENT, MUSCAT
AMERICAN BUSINESS COUNCIL, MUSCAT, SULTANATE OF
OMAN**

Mr. WEITZEL. Thank you, Mr. Chairman, distinguished Members. I really appreciate this opportunity to come before you today to speak. My name is Mike Weitzel, and I am the President of the Muscat American Business Council. I am also the Program Manager for DynCorp International's War Reserve Materiel contract with Central Command's Air Forces. DynCorp International, as you know, is an international company that employs over 14,000 employees in some 35 countries, with revenues of over \$2 billion.

Both as an active duty Air Force Colonel assigned to U.S. Central Command (CENTCOM) and U.S. Central Command Air Forces (CENTAF), and after retiring as the War Reserve Material (WRM) Program Manager, I have experienced firsthand the partnership our country has long enjoyed with the Sultanate of Oman. I am based in the Middle East and live in Muscat, its capital.

The Muscat American Business Council (MABC) was established in October of 2004. Its goals are to increase knowledge, strengthen business ties and stimulate the exchange of information between the American business community and Omani businesses and government. The MABC forms a forum for issues that impact the business community, and offers a single voice for communications with ministries and government decisionmakers. Membership is open to all companies in Oman that have an America interest, and we have over 45 companies that are members of our organization.

Right to the point. One of our members talked—his name is Michael Hansen. He is an Oman Marketing and Services Company executive, and he said this is how the FTA is going to make a difference for his company. Honda, which is one of the cars that he sells, has a model called the Pilot here in the U.S. It is known as the MRV back in Oman. They are looking at increasing the number of vehicles to send to Oman. The FTA will reduce the logistical cost of bringing that over to Oman, increasing the sales of the Pilot, and it is manufactured in the U.S. He also talked about the Rheem Air Conditioners that are manufactured in the U.S. and sold in Oman. The FTA is going to reduce the cost of those Rheem Air Conditioners, thereby increasing American jobs.

Yaser Tobeh, a General Manager of the Dhofar Power Company, provided the following example for the FTA's potential benefit to the Oman economy. "The growth of our business relies directly on the number of customers and bulk consumers that get connected to our system in Salalah and the Dhofar region. With the Salalah Free Zone under construction, the FTA would encourage U.S. investors and companies to bring businesses or industries into the

zone, which means more power connections,” which means more investment, which means more profit, which means more investment, and on and on and on. He felt that it was going to make a big difference for his company.

Oman is the size of New Mexico, with a population, as mentioned earlier, of over 3 million people, and they have made great strides in a short period of time. Since 1970, as Ambassador Cook mentioned, the renaissance has taken place in Oman. It is a wonderful place to live and it is a wonderful place to work. In act, I am kind of jealous of the Turner Construction Company with the wonderful resorts and areas that they are building and bringing more tourists into Oman, which is a good thing and also a bad thing for those of us who live there.

In December of 2005, I participated in the Regional Labor Dialog, a 3-day event organized by the U.S. Embassy and the Oman Ministry of Manpower as a part of the U.S. Department of State’s Middle East Partnership Initiative. Held in Muscat, the event was well attended by government and private sector interest from across the region, including labor ministers from 10 different nations. Issues such as work conditions, third country workers, guest laborers and women in the workplace, were discussed openly and energetically. It was a significant event, and well attended, and well thought of.

We have every reason to be optimistic in the MABC. Oman’s willingness to meet high standards required of FTA partners is a testament to the progressive spirit and determination of the Omani people and its leader, the Sultan Qaboos bin Said. The Muscat American Business Council supports the FTA as good business and good policy. We look forward to doing our utmost to support the agreement by increasing awareness locally and enhancing opportunities for trade between these two countries. Having more American products on the shelves in Oman will be a sure sign of the FTA’s success. Thank you, Mr. Chairman.

[The prepared statement of Mr. Weitzel follows:]

Statement of Michael P. Weitzel, Program Manager, DynCorp International, and President, Muscat American Business Council, Muscat, Sultanate of Oman

Mr. Chairman and distinguished members of the Committee on Ways and Means, I thank you for this opportunity to testify on the proposed U.S.–Oman Free Trade Agreement. My name is Michael P. Weitzel, and I serve as president of the Muscat American Business Council—MABC.

I am employed by DynCorp International as Program Manager of the U.S. Air Force’s War Reserve Materiel (WRM) Program in the Central Command (CENTCOM) Area of Responsibility (AOR). DynCorp International provides support services to the U.S. and foreign governments as well as private companies worldwide. We have over 14,000 employees in 35 countries and revenues of nearly \$2 billion. Both as an active duty Air Force Colonel assigned to CENTCOM and then CENTAF and, after retiring, as the WRM Program Manager, I have experienced first hand the partnership our country has long enjoyed with the Sultanate of Oman. I am based in the Middle East and have spent the last two years in Oman’s capital city, Muscat.

The Muscat American Business Council was established in October 2004. Its goals are to increase knowledge, strengthen business ties, and stimulate the exchange of information between the American business community and Omani businesses and government. MABC provides a forum for issues that impact the business community and offers a single voice for communication with ministries and government decision makers. Membership is open to companies in Oman with U.S. affiliation or interest in U.S.–Oman relations. 45 companies joined MABC in its first year.

The FTA is good for business. That, quite simply, is the bottom line. The agreement encourages trade by eliminating tariffs; promotes investment by creating a more transparent and therefore more inviting business environment; it requires partners to commit to standards—internationally recognized and agreed standards—regarding labor and intellectual property rights. The agreement is designed for mutual benefit, to create jobs and stimulate investment in both the U.S. and Oman.

In a recent article, Oman's Minister of Commerce and Industry, H.E. Maqbool Ali Sultan, identified FTA benefits to both sides as follows: "Oman needs a larger, global market to achieve their long-term goal of establishing a viable non-oil sector. The FTA will contribute to economic diversification. . . . The U.S. stands to gain from increased exports, which have grown each year since 2003. Imports from the U.S. January—October 2005 were \$432.1 million, an increase of 23.6% from the previous year." It is interesting, also, to note results of the U.S.—Jordan FTA, which was signed in 2000. Trade between Jordan and the U.S. prior to the agreement was approximately \$300 million; by 2003, it had more than tripled to over \$1 billion.

MABC member Michael Hansen of Oman Marketing and Services Company translates statistics into tangible examples of benefit to the U.S. economy. The Honda SUV model MRV, known as the "Pilot" in the U.S., and the Honda Odyssey are produced in the U.S. and supplied to Oman and the GCC region. Honda is evaluating whether to increase the supply of cars to be produced in the U.S. for sale in Oman and the wider GCC region. This will create jobs in America. Rheem air conditioners are manufactured in the U.S. and sold in Oman by Oman Marketing and Services Company. FTA implementation would mean elimination of import duty and therefore a reduction in the high logistics costs from the U.S. to Oman. Increased sales are the end result.

MABC member Yaser Tobeh, General Manager of the Dhofar Power Company, provides the following example of the FTA's potential benefit to Oman's economy. He writes, "The growth of our business relies directly on the number of customers and bulk consumers that get connected to our system in Salalah and the Dhofar region. With the Salalah Free Zone under construction, the FTA would encourage U.S. investors and companies to bring businesses or industries into the Zone, which means more power connections and more system expansions, thus providing growth to our utility." And while the Dhofar Power Company would benefit, U.S. investors would also benefit from the company's increased production made possible by additional sales and profits.

Oman, the size of New Mexico, with a population approaching three million, has made dramatic strides in a short time. Prior to 1970 when Sultan Qaboos bin Said assumed leadership, the country was closed to outside influence; infrastructure and social services were negligible. Today, Oman has a modern infrastructure, outstanding educational and medical facilities, and women are welcomed in the workplace. The economy is growing, there is a significant campaign underway to achieve economic diversification, and major infrastructure development.

Work is in progress to improve ports in Salalah and Muscat, to build a new port in Duqm, and the newly completed port of the industrial city of Sohar has been commissioned. Also underway are plans for a new terminal at the existing Seeb airport, plus additional airports elsewhere. A residential resort called The Wave is being built now and, for the first time, foreigners will be able to own property in Oman. Cultivation of tourism, and in particular eco-tourism, is a priority. Properties such as Shangri La's recently opened Barr Al Jissah Resort, which includes three luxury hotels in a location of spectacular beauty, and largely built by the Dallas-based firm Turner Construction, will—I am both happy and sad to say—make Oman a much sought-after destination.

Recent steps to enhance local labor conditions and comply with ILO labor requirements demonstrate Oman's commitment to the FTA. Prior to 2003, Oman functioned under an archaic labor law that simply did not keep pace with the Sultanate's ratification of core international labor standards and specifically forbade strikes. Today, workers are joining the rapidly growing number of unions and engaging in collective bargaining and even strikes with the full protection of the Omani government. The Omani government is not simply writing new laws—it is putting its modern labor policies into practical effect.

In December 2005, I participated in the Regional Labor Dialogue, a three-day event organized by the U.S. Embassy and Oman's Ministry of Manpower as part of the U.S. Department of State's Middle East Partnership Initiative (MEPI). Held in Muscat, the event was well attended by government and private sector interests from across the region, including labor ministers from ten nations. Issues such as work conditions, third country workers, child labor laws, and women in the work-

place were discussed openly and energetically. This in itself is significant and noteworthy progress.

DynCorp International has operations throughout the region including Bahrain. As a result of the U.S.–Bahrain Free Trade Agreement, our company has a workers' union. We view this as a plus, and we work together with the DynCorp Workers Trade Union and the General Federation of Bahrain Trade Unions (GFBTU) as they develop and take on the responsibilities of organized labor. We intend to be leaders in the implementation of the U.S.–Oman FTA labor provisions, and will be supportive of the formation of workers' representative groups in Oman.

Beyond economics, Oman is a positive presence in the region and a valued partner in the Global War on Terror. It is a country that rejects extremism and supports moderation and tolerance. For the last three decades, Oman has been a trusted ally and has enabled the United States to maintain its stabilizing military presence in the Gulf. At last week's MABC meeting, Salem bin Nasser Al Ismaily, CEO of the Omani Center for Investment Promotion & Export Development (OCIPED), spoke on the subject of Economic Freedom in the Arab World. He emphasized the integral link between trade and security. They go hand in hand, and more trade means a better chance to end political instability as well as economic stagnation. Unemployment is a problem in Oman; the FTA will increase the number of jobs available for Omanis. We believe efforts to create jobs and raise standards of living will contribute positively to stability in the region.

We have every reason to be optimistic. Oman's willingness to meet the high standards required of FTA partners is a testament to the progressive spirit and determination of the Omani people and their leader, Sultan Qaboos bin Said. The Muscat American Business Council supports the U.S.–Oman FTA as good business and good policy. We look forward to doing our utmost to support the agreement by increasing awareness locally and enhancing opportunities for trade between these two countries. Having more American products on the shelves in Oman will be a sure sign of the FTA's success.

Mr. RYAN. Thank you, Mr. Weitzel. Mr. Trumka.

STATEMENT OF RICHARD L. TRUMKA, SECRETARY-TREASURER, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. TRUMKA. Thank you, Mr. Chairman, Representative Rangel and Members of the Committee. I want to thank you for the opportunity to testify today on behalf of 9½ million plus working men and women of the AFL–CIO. In our view, the Oman FTA provides the wrong answers to the challenge faced in Oman and the U.S. The Agreement is based on a failed model that neither addresses the problems confronted by workers in Oman, nor contributes to the creation of good jobs and decent wages at home. The workers' rights provisions are entirely inadequate to ensure that fundamental human rights are respected, and the dispute settlement mechanism for workers' rights and environmental protections is far weaker than that available for commercial provisions.

At the same time, flawed provisions on services, investment, government procurement and intellectual property rights will undermine the ability of both governments to protect public health, strong communities and the environment. As you know, we have argued that Oman's labor laws are egregiously out of compliance with the ILO core labor standards, and we remain deeply concerned about the lack of fundamental protection for Omani workers in both law and practice. Despite some improvements made to Oman's legal framework, Oman's labor laws today do not provide for the exercise of the most important and fundamental workers' rights, that is, freedom of association and the right to organize and

bargain collectively. Omani labor laws provide the government with an entirely inappropriate level of oversight and control over the activities, meetings, finances and selection of representatives of the National and Industrial Worker Representative Committees. In addition, current laws fail to explicitly protect workers who participate in the worker committees from anti-union discrimination, and they do not spell out protections for workers who choose to engage in strikes.

We understand that the Omani government sent letters to Chairman Thomas, pledging to make certain changes in bringing its labor laws into compliance with the ILO standard by October 31st, 2006. We applaud those efforts, and we welcome this offer on the part of the government. However, we continue to have serious concerns. Congress should delay further proceedings on the Oman FTA until after these important changes have been fully implemented. It is essential to see the precise legislative language before it can be ascertained whether or not the reform laws do actually meet ILO standards.

Also, while Oman might issue a new decree changing the law, it has no history of labor movement. Employers in Oman must have time to be educated on the role of workers representatives in fostering positive employment relations. This will not happen immediately, and certainly not by October 31st, the date by which the Omani government indicates decrees will be completed. Workers representatives must be given the tools and opportunities and time to organize workers into trade unions and fulfill their responsibilities to protect workers rights. We expect that this will take time. The effectiveness of these changes will not be seen overnight. It will also take time to monitor and judge whether or not any new decrees have been successful. Even more important to the AFL-CIO, the labor provisions included in the Oman FTA do not include any enforceable provisions preventing the weakening of or derogation from domestic labor laws. Only one labor right obligation, the obligation for a government to enforce its own labor laws, is actually enforceable through dispute settlement. All the other obligations contained in the labor chapter are explicitly not covered by the dispute settlement system. This directly violates the Trade Promotion Authority (TPA) which instructs our negotiations to treat all negotiating objectives equally.

This means that if Oman's labor laws are brought fully into compliance with ILO standards over the coming months, the U.S. Government would have absolutely no recourse to dispute settlement or enforcement if a future Omani government were to reverse those gains, or weaken, or gut Omani's labor laws after congressional passage of the FTA. Because of this, Omani workers do not have any voice in electing their government; they would not be in a position to vote out of office a government that chose to weaken the labor laws. In addition, any vote on the Oman FTA must take into account the broader economic reality that we are facing today.

Now, our executive council adopted a statement in March calling for a moratorium on all FTAs, including Oman, until we rewrite them to protect and advance workers' interest. The labor provisions in the Oman FTA are woefully inadequate and clearly fall short of the TPA negotiating objectives. They will be extremely difficult to

enforce, and fines may be inadequate to actually remedy violations. Given Oman's historic failure to respect core worker rights, and the troubling inadequacies in the current laws, it is especially problematic to implement an FTA with weak labor protections at this time. Thank you, Mr. Chairman.

[The prepared statement of Mr. Trumka follows:]

Statement of Richard L. Trumka, Secretary-Treasurer, American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)

Good afternoon, Mr. Chairman, Representative Rangel, and members of the Committee. I thank you for the opportunity to testify today on behalf of the 9 million working men and women of the AFL-CIO on the U.S.-Oman Free Trade Agreement (FTA). Trade policy in general, and this agreement in particular, are of great interest and concern to our members, to America's workers, and to workers in Oman as well.

In our view, the Oman FTA provides precisely the wrong answers to the challenges faced in Oman and the United States. The agreement is based on a failed model that neither addresses the problems confronted by workers in Oman, nor contributes to the creation of good jobs and decent wages at home. The workers' rights provisions are entirely inadequate to ensure that workers' fundamental human rights are respected, and the dispute settlement mechanism for workers' rights and environmental protections is far weaker than that available for commercial provisions. At the same time, flawed provisions on services, investment, government procurement, and intellectual property rights will undermine the ability of both governments to protect public health, strong communities, and the environment.

In addition to the problems outlined above with the Oman FTA template, which are common to all the FTAs negotiated by this Administration, we continue to have very serious concerns about Oman's 2003 Private Sector Labor Law, and the Ministry of Manpower's decrees, which outline the detailed implementation procedures. As you know, we have argued that Oman's labor laws are egregiously out of compliance with the ILO core labor standards, and we remain deeply concerned about the lack of fundamental protections for Omani workers in both law and practice. Despite some improvements made to Oman's legal framework, Oman's labor laws today do not provide for the exercise of the most important and fundamental workers' rights: freedom of association and the right to organize and bargain collectively.

ILO standards call for workers to be able to form their own organizations, free of interference from employers or government. Omani labor law, in contrast, provides the government with an entirely inappropriate level of oversight and control over the activities, meetings, finances, and selection of representatives of the national and industrial "worker representative committees." In addition, the laws fail to explicitly protect workers who participate in the worker committees from anti-union discrimination, nor do they spell out protections for workers who choose to engage in strikes. The Omani Government claims the forthcoming Ministerial Decree outlining procedures on the Right to Strike will be reviewed by the ILO to ensure compliance with ILO Standards.

We understand that the Omani government has sent a letter to Chairman Thomas (dated March 26, 2006), pledging to bring its labor laws into compliance with ILO standards by October 31, 2006. We applaud and welcome this offer on the part of the government.

However, we continue to have some serious concerns. Congress should delay further proceedings on the Oman FTA until after these important changes have been fully implemented. We have plenty of experience with labor legislation, and we know that it is essential to see the precise legislative language before we can ascertain whether or not the reformed laws do actually meet ILO standards.

Second, while Oman might issue a new decree changing the law, it has no history of a labor movement. Employers are reluctant to accept the representative committees, let alone actual trade unions with collective bargaining rights. Employers in Oman must have time be educated on the role of worker representatives in fostering positive employment relations.

This will not happen immediately and certainly not by October 31, 2006, the date by which the Omani Government indicates the decrees will be completed. Omani worker representatives are currently at a distinct disadvantage compared to the Government and employers. This new legal framework will be a good start. But worker representatives must be given the tools, opportunities and time to organize workers into trade unions and fulfill their responsibilities to protect worker rights. We can expect this will take more time in Oman, as their worker rights were vir-

tually non-existent, lagging far behind even Bahrain. The effectiveness of these changes will not be seen overnight. It will also take time to monitor and judge whether or not any new decrees have been successful.

Even more important, the labor provisions included in the Oman FTA do *not* include any enforceable provisions preventing the weakening of or derogation from domestic labor laws. This means that even if Oman's labor laws are brought fully into compliance with ILO standards over the next couple of months, the U.S. government would have absolutely no recourse to dispute settlement or enforcement if a future Omani government were to reverse those gains and weaken or gut Oman's labor laws after Congressional passage of the FTA. And because Omani workers do not have any voice in electing their government, they would not be in a position to vote out of office a government that chose to weaken their labor laws.

In addition to our concerns on Oman's labor situation, any vote on the Oman FTA must take into account the broader economic reality that we are facing today. Our trade deficit hit a record-shattering \$726 billion last year; we have lost more than three million manufacturing jobs since 1998; and average wages have not kept pace with inflation this year—despite healthy productivity growth. The number of people in poverty continues to grow, and real median family income continues to fall. Off-shore outsourcing of white-collar jobs is increasingly impacting highly educated, highly skilled workers—leading to rising unemployment rates for engineers and college graduates. Together, record trade and budget deficits, unsustainable levels of consumer debt, and stagnant wages paint a picture of an economy living beyond its means, dangerously unstable in a volatile global environment.

The AFL-CIO Executive Council adopted a statement in March calling for a moratorium on all new free trade agreements, including with Oman, until we can rewrite them to protect and advance workers' interests.

Labor Provisions of the Oman FTA

Unfortunately, the Oman FTA labor provisions actually constitute a step backwards from existing labor rights provisions in the U.S.—Jordan FTA and in our Generalized System of Preferences (GSP) program. In the Oman agreement, only one labor rights obligation—the obligation for a government to enforce its own labor laws—is actually enforceable through dispute settlement. All of the other obligations contained in the labor chapter, many of which are drawn from Congressional negotiating objectives, are explicitly not covered by the dispute settlement system and are thus completely unenforceable.

Labor Rights in Oman

Again, while the government has made numerous pledges, current Omani law does not come close to meeting International Labor Organization (ILO) criteria for compliance with core labor standards, and the weak and inadequate labor rights protections in this agreement will allow these severe deficiencies in Oman's labor laws to persist.

The most serious issue is Oman's systematic denial of workers' freedom of association. The Omani government is in egregious violation of ILO conventions and universally accepted international practice. Again, we cannot expect these problems to be solved overnight.

The Omani Government claims, in the March 26 letter Chairman Thomas, that “a significant number of strikes occur every year since the adoption of the 2003 Labour Law with no prosecution or retribution of any form for such work stoppages which is evidence that the freedom to strike exists under Omani law.”

This assertion has yet to be proven. No documentation has been provided by the Omani authorities as to the dates, issues, and parties involved in actual strikes. Such information would constitute actual evidence that “the freedom to strike exists under Omani law.” If the law is unclear, and there is little or no evidence of the practice being different, the Omani Government cannot claim to adhere to the requirements of 87 and 98 on the right to strike.

In Oman's legal system, it is not clear what takes precedence on labor rights, a law developed by the parliament and approved by the Sultan, or a Ministerial Decree? Which is considered “Omani law”? If the Omani Government does not amend its 2003 Labor Law to come into conformity with the Ministerial Decrees, then how will a judge determine which standard to apply, given the violations of 87 and 98 present both the 2003 Law and the current Ministerial Decrees governing the internal procedures of the representative committees? The Bahraini Government made a commitment to amend both the 1976 Labor Law, as well as the 2002 Trade Union Law. The Omani Government should make a similar commitment.

A review of Oman's current Labor Law, issued by decree in 2003,¹ also reveals a pattern of exceptions to the very standards it proclaims as law, from the exclusion of foreign domestic workers and civil servants from protection under the law, to loopholes that allow for a wide variety of interpretations of basic rights. This leaves workers dependent not upon the law, but upon the discretion of powerful vested interest groups that form the core of a semi-authoritarian regime.

Ministry of Manpower Decrees 135 and 136, issued in 2004, outline stringent and inappropriate government oversight parameters for both worksite level committees and a national committee intended to serve as a national representative body.² The government reserves the right to "be notified one month prior to each meeting of the general assembly with a copy of the invitation letter, agenda, documents and papers relating to the issues to be discussed," and to "delegate who it chooses to attend the meeting." It also requires the committees to provide minutes of all meetings to the government and reserves the right to review the dues structure. All of these requirements constitute violations of ILO standards of freedom of association.

In its defense of the provision allowing Ministry delegates to attend worker committee meetings, the government has said that "the presence of the representative from the Ministry is to help the committee in case of their need to consult with the Ministry on any issue." It certainly seems that if the worker committees need advice from the government, they could ask for it, rather than having a government presence at all their meetings ordained in labor law.

The government has claimed that "eleven members [of the Main Representative Committee] were all elected from the existing Representative Committees and are all workers." This is untrue. The government appointed at least some of the members of the Main Representative Committee, and five of them actually serve in management positions within their companies, either as CEOs or Personnel Managers.

Any paid representative of an enterprise with management responsibilities should be disqualified from running for office on either the enterprise level or Main Representative Committee. The candidates in the next round should be allowed to campaign publicly, and democratic elections should be held to decide the officers.

Although the workplace level committees allow for a semblance of rank and file participation through the General Assembly, workers may not join the assembly until they have completed one year of employment. The Minister of Manpower is directly responsible for ratifying the election results for both the workplace and national committees, and may object to any nominee to the administrative bodies who does not meet a set of stringent conditions, including fluency in written and spoken Arabic language, a condition which would disqualify most foreign-born worker from leadership positions (contrary to the USTR factsheet). Non-citizens account for as much as 80% of the private-sector workforce (according to the State Department 2004 annual human rights report). Under ILO Standards for Leadership Positions, workers should be able to choose their representatives free of Government or employer interference.

The labor law also decrees that membership in the administrative body [of the worker committee] is terminated in the case that a member "commit[s] any act that causes material or moral harm to . . . the public interest of the Sultanate." Again, this is totally inappropriate.

The current labor law prohibits the administrative body of the worker committees outright from "join[ing] any organization or authority with headquarters outside the Sultanate," from sending "delegations outside the Sultanate or receive[ing] delegations," and even from holding "public festivities or present[ing] public lectures" without the approval of the Minister. ILO standards explicitly lay out that unions may affiliate to international organizations of their choosing, and certainly the government has no business monitoring the travel, visitors, or public festivities and lectures of workers' organizations.

In a March 10 letter to the Committee on Ways and Means, the Omani government indicated that Article (6) of the Oman's labor law does provide legal consequences in the case of the employer refusing the request of a representational committee to negotiate additional benefits schemes.

¹ Omani Labour Code of 26 April 2003

Ministry of Information

The New Labor Code was issued by Royal Decree No. 35 of 2003, and abrogates the previous Labor Law issued by Royal Decree Nov. 34 of 1973.

www.omanet.om/arabic/government/gov20.asp?cat=gov

² Sultanate of Oman, Ministry of Manpower, "Ministerial Decision No. (135/2004), "On Principles of Formation and work of Representative Committees in Establishments," and Ministerial Decision No. (136/2004)—"On Principles of Formation and Work of the Main Representative Committee." May 11, 2004, Translated by POLE: Ahmed Al-Sawei.

This appears to be a misrepresentation as Article 6 reads: “The employer may execute projects whereby the workers obtain more generous benefits than prescribed, or he/she may provide the workers with other benefits, conclude agreements covering more generous conditions than those prescribed in this law. If a provision of this law infringes with one or more of the conditions set by the referred projects or agreements, the most beneficial provision to the worker applies.” While this clause gives the employer the option to execute “projects” it fails to mention a committee’s role in negotiating such terms with the employer. The fact that no collective bargaining agreements exist in Oman indicates that employers do not feel compelled to allow workers to infringe on their unilateral exercise of power.

This provision relies upon employer largesse, permitting such “schemes” to take place if the employer desires it, but not requiring employers to engage in collective bargaining.

While all workers in Oman are denied basic labor rights, the large foreign workforce, who constitute the majority of private-sector workers in Oman, are especially vulnerable to abuse and exploitation. Foreign workers have the right to remain in the country for the duration of their work contracts; but employers are known to hold the passports of guest workers, and in the worst cases of abuse, even deny individuals the ability to extract themselves from dangerous or cruel work conditions. Laws protecting workers from forced labor are not enforced. According to the State Department:

The Government did not investigate or enforce the law effectively. Foreign workers at times were placed in situations amounting to forced labor. Employers have withheld documents that release workers from employment contracts and allow them to change employers. Without such a letter, a foreign worker must continue to work for his current employer or become technically unemployed, which was sufficient grounds for deportation.³

Oman has an equally problematic record on trafficking in persons, according to the State Department’s 2004 Trafficking in Persons Report:

Oman is a destination country for women and men who migrate legally and willingly from South Asia—primarily from India, Bangladesh, Pakistan, Sri Lanka, and the Philippines—for work as domestic workers and laborers but are subsequently trafficked into conditions of involuntary servitude. Some of these workers suffer from physical and sexual abuse or withholding of ages or travel documents . . . According to a noted human rights activist, several dozen foreign children trafficked for the purpose of exploitation as camel jockeys were reportedly seen near the border with the United Arab Emirates.⁴

Even should the current Omani regime alter its existing workers’ rights restrictions, the proposed FTA would allow Oman to undermine workers’ fundamental rights in the future. Even for the one labor obligation in the FTA that is subject to dispute resolution—the requirement to effectively enforce domestic laws—the procedures and remedies for addressing violations are significantly weaker than those available for commercial disputes in the agreement. This directly violates TPA, which instructs our negotiators to seek provisions in trade agreements that treat all negotiating objectives equally and provide equivalent dispute settlement procedures and equivalent remedies for all disputes.

The labor enforcement procedures cap the maximum amount of fines and sanctions available at an unacceptably low level, and allow violators to pay fines that end up back in their own territory with inadequate oversight. These provisions not only make the labor provisions of the agreement virtually unenforceable, they also differ dramatically from the enforcement procedures and remedies available for commercial disputes:

- In commercial disputes, the violating party can choose to pay a monetary assessment instead of facing trade sanctions, and in such cases the assessment will be capped at half the value of the sanctions. In labor disputes, however, the assessment is capped at an absolute level, no matter what the level of harm caused by the offending measure.
- Not only are the caps on fines much lower for labor disputes, but any possibility of trade sanctions is much lower as well. In commercial disputes, a party can suspend the full original amount of trade benefits (equal to the harm caused by the offending measure) if a monetary assessment (capped at half that value) is not paid. In a labor dispute, the level of trade benefits a party can revoke if a monetary assessment is not paid is limited to the value of the assessment itself—capped at \$15 million.

³State Department COUNTRY REPORTS ON HUMAN RIGHTS PRACTICES 2004 <http://www.state.gov/g/drl/rls/hrrpt/2004/41729.htm>

- Finally, the fines are robbed of much of their punitive or deterrent effect by the manner of their payment. In commercial disputes under the Oman FTA, the deterrent effect of punitive remedies is clearly recognized—it is presumed that any monetary assessment will be paid out by the violating party to the complaining party, unless a panel decides otherwise. Yet for labor disputes, the violating country pays the fine to a joint commission to improve labor rights enforcement, and the fine ends up back in its own territory. No rules prevent a government from simply transferring an equal amount of money out of its labor budget at the same time it pays the fine. And there is no guarantee that the fine will actually be used to ensure effective labor law enforcement, since trade benefits can only be withdrawn if a fine is not paid. If the commission pays the fine back to the offending government, but the government uses the money on unrelated or ineffective programs so that enforcement problems continue unaddressed, no trade action can be taken.

The labor provisions in the Oman FTA are woefully inadequate, and clearly fall short of the TPA negotiating objectives. They will be extremely difficult to enforce with any efficacy, and monetary assessments that are imposed may be inadequate to actually remedy violations. Given Oman's failure to respect core workers' rights and the huge inadequacies in its labor laws, it is especially problematic to implement an FTA with weak labor protections at this time.

In addition to the very serious problems with the labor provisions of the Oman agreement outlined above, commercial provisions of the agreement also raise serious concerns.

Trade Impacts of the Oman FTA

While the overall trade relationship with Oman is small relative to the economy of the United States, it is possible that the agreement will result in a deteriorating trade balance in some sectors, including sensitive sectors such as apparel. Even where the market access provisions of the agreement themselves may not have much of a negative impact on our trade relationship, these provisions when combined with rules on investment, procurement, and services could further facilitate the shift of U.S. investment and production overseas, harming American workers.

The dramatically lower costs of energy in Oman provide enormous opportunities for energy-dependent industries to use the country as an export platform. As is the case with the United Arab Emirates (UAE), where a foreign glassware manufacturer has set up shop and may use the UAE's natural gas—which costs less than 1/12th of what it does in the U.S.—to flood the U.S. market with glassware, a similar opportunity exists with Oman.

Chemical manufacturers, energy interests and others could similarly benefit from Oman's energy pricing structure. Oman, like many other energy-rich nations, has a built-in advantage in low energy costs. But, beyond this initial advantage, energy costs to

Oman's manufacturing interests do not reflect market prices. Additionally, the failure of the United States to have a comprehensive energy policy to ensure long-term stable supplies and affordable prices puts the U.S. at a substantial disadvantage. The failure of the Bush Administration to aggressively address energy costs has serious repercussions for our manufacturing sector and, indeed, for all energy consumers. The U.S.-Oman FTA will exacerbate that disadvantage by providing enhanced access to the U.S. market without addressing the non-market pricing of energy.

Investment: In TPA, Congress directed USTR to ensure “that foreign investors in the United States are not accorded greater substantive rights with respect to investment protections than United States investors in the United States.” Yet the investment provisions of the Oman FTA contain large loopholes that allow foreign investors to claim rights above and beyond those that our domestic investors enjoy. The agreement's rules on expropriation, its extremely broad definition of what constitutes property, and its definition of “fair and equitable treatment” are not based directly on U.S. law, and annexes to the agreement clarifying these provisions also fail to provide adequate guidance to dispute panels. As a result, arbitrators could interpret the agreement's rules to grant foreign investors greater rights than they would enjoy under our domestic law. In addition, the agreement's deeply flawed investor-to-state dispute resolution mechanism contains none of the controls (such as a standing appellate mechanism, exhaustion requirements, or a diplomatic screen) that could limit abuse of this private right of action. Finally, the marked difference between the dispute resolution procedures and remedies available to individual investors and the enforcement provisions available for the violation of workers' rights and environmental standards flouts TPA's requirement that all negotiating objec-

tives be treated equally, with recourse to equivalent dispute settlement procedures and remedies.

Intellectual Property Rights: In TPA, Congress instructed our trade negotiators to ensure that future trade agreements respect the declaration on the Trade Related Aspects on Intellectual Property Rights (TRIPs) agreement and public health, adopted by the WTO at its Fourth Ministerial Conference at Doha, Qatar. The Oman FTA contains a number of “TRIPs-plus” provisions on pharmaceutical patents, including on test data and marketing approval, which could be used to constrain the ability of a government to issue compulsory licenses as permitted under TRIPs and the Doha Declaration.

Government Procurement: The FTA’s rules on procurement restrict the public policy aims that may be met through procurement policies at the federal level. These rules could be used to challenge a variety of important procurement provisions including domestic sourcing preferences, prevailing wage laws, project-labor agreements, and responsible contractor requirements. We believe that governments must retain their ability to invest tax dollars in domestic job creation and to pursue other legitimate social objectives, and that procurement rules which restrict this authority are inappropriate.

Safeguards: Workers have extensive experience with large international transfers of production in the wake of the negotiation of free trade agreements and thus are acutely aware of the need for effective safeguards. The safeguard provisions in the Oman agreement, which offer no more protection than the limited safeguard mechanism in NAFTA, are not acceptable. U.S. negotiators should have recognized that much faster, stronger safeguard remedies are needed. The Oman FTA has failed to provide the necessary import surge protections for American workers.

Services: NAFTA and WTO rules restrict the ability of governments to regulate services—even public services. Increased pressure to deregulate and privatize could raise the cost and reduce the quality of basic services. Yet the Oman agreement does not contain a broad, explicit carve-out for important public services. Public services provided on a commercial basis or in competition with private providers are generally subject to the rules on trade in services in the Oman FTA, unless specifically exempted.

Conclusion

Congress should reject the Oman FTA, and send a strong message to USTR that future agreements must make a radical departure from the failed NAFTA model in order to succeed.

American workers are willing to support increased trade if the rules that govern it stimulate growth, create jobs, and protect fundamental rights. The AFL-CIO is committed to fighting for better trade policies that benefit U.S. workers and the U.S. economy as a whole. For the reasons stated above, we urge the Congress to reject the U.S.–Oman FTA and begin work on a more just economic and social relationship with Oman.

Mr. RYAN. Thank you, Mr. Trumka. Mr. Schwartz?

STATEMENT OF ROGER SCHWARTZ, BUSINESS VICE PRESIDENT, POLYETHYLENE, THE DOW CHEMICAL COMPANY, MIDLAND, MICHIGAN

Mr. SCHWARTZ. Mr. Chairman and distinguished Members of the House Ways and Means Committee, thank you for the opportunity to provide testimony on behalf of the U.S.–Oman FTA. The Dow Chemical Company is a diversified chemical company that harnesses the power of science and technology to improve living daily. The company offers a broad range of innovative products and services to customers in more than 175 countries, helping them to provide everything from fresh water, food, pharmaceuticals, to paints, packaging and personal care products. Built on its commitment to principles of sustainability, Dow has annual sales of \$46 billion and employs 42,000 people worldwide.

Dow is a 109-year-old American company headquartered in Midland, Michigan, and in 2004 we announced a joint venture agreement with the government of the Sultanate of Oman, and the Oman Oil Company, to design, build and operate a petrochemical complex in the Sohar Industrial Port Area. The complex includes feedstock production facilities, and ethylene gas-cracking unit, and world-scale polyethylene production units based upon the state of the art catalyst and process technology. As a company, we are very excited about this project. Oman is one of the key locations in the Middle East where Dow is preferentially investing due to its proximity to the Asian markets and access to cost-competitive hydrocarbon feedstocks which we need to make these products.

The FTA helps in our development by gaining market access for American products and manufacturing inputs to support the growth of our production in Oman, and ultimately makes us more competitive in the Asia-Pacific consumer market. The project is a key step in Dow's strategy of having cost competitive, geographic and product positions that will enable value growth. The project is a true partnership, helping the Omani government to meet its objectives of attracting foreign investment, diversifying the economy, creating job opportunities, and laying the foundation for future downstream industries, or helping us to access cost competitive feedstocks for the fast-growing markets in Asia. While we began our discussion with the Omanis prior to the launch of the FTAs, we have been tremendously impressed by the speed and the progress made in the U.S.-Oman FTA negotiations. In particular, we give significant credit to the Omani negotiating team for their very progressive attitude toward liberalization, not just in the reduction of tariffs, but augmenting and improving domestic rules on intellectual property protection, investor rights, and government procurement.

The Omanis are already signatories of the plurilateral Chemical Harmonization Tariff Agreement, that not only helps my company but also supports simplification and efficient trade of chemical products worldwide. This Agreement is yet another example of the tremendous progress on reforms within Oman, and the Sultan's progressive agenda. The Sultan has fostered a high degree of political stability within the country by instituting a new constitution which has created a more democratic infrastructure, including a deputy prime minister post, bicameral legislature and guarantees for basic civil liberties. Ultimately, Oman is a key growth opportunity for American companies, particularly those like Dow that are heavily reliant on sustained access to low-cost energy and feedstocks. With our value park concept of bringing in manufacturing partners to co-locate near our facilities, the FTAs will support additional American investment, creating significant new employment and economic opportunities in downstream plastic industries. This is a concept that we have already successfully implemented at Dow Chemical's Germany operations in Schkopau, a former East German site.

Dow views Oman as yet another strategic investment that enhances our global reach, accessing low-cost natural resources in a geographically strategic location to ultimately participate in the tremendous consumer growth in the Asia markets. That pattern of

growth helps us as an American company deliver significant value back to our shareholders. The FTA is not only a recognition for Oman's progress on economic reform and trade liberalization, but serves as a high-quality, high-standard benchmark for further progress on the President's vision for MEFTA by 2013. Oman serves as a living example of the benefits of progressive reform. We are pleased to be a partner in Oman's development, and urge the House to recognize Oman's progress on economic reform and trade liberalization with an expeditious and positive vote on this agreement. Thank you.

[The prepared statement of Mr. Schwartz follows:]

**Statement of Roger R. Schwartz, Business Vice President, Polyethylene,
The Dow Chemical Company, Midland, MI**

Mr. Chairman, and distinguished members of the House Ways & Means Committee, thank you for the opportunity to provide testimony on behalf of the U.S.–Oman Free Trade Agreement.

The Dow Chemical Company is a diversified chemical company that harnesses the power of science and technology to improve living daily. The Company offers a broad range of innovative products and services to customers in more than 175 countries, helping them to provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. Built on a commitment to its principles of sustainability, Dow has annual sales of \$46 billion and employs 42,000 people worldwide.

Dow is a 109-year-old American company, headquartered in Midland, Michigan.

In 2004, we announced a joint venture project with the Government of the Sultanate of Oman and Oman Oil Company (OOC) to design, build and operate a petrochemical complex in the Sohar Industrial Port Area. The complex will include feedstock production facilities, a gas cracker, and world-scale polyethylene production units based on state-of-the-art catalyst and process technology.

As a company, we are very excited about this project. Oman is one of the key locations in the Middle East where Dow is preferentially investing, due to proximity to Asian markets and access to cost-competitive hydrocarbon feedstocks which we need to make many of our products.

The FTA helps our development by gaining market access for American products and manufacturing inputs to support growth of our production in Oman and ultimately make us more competitive in the Asia/Pacific consumer markets. This project is a key step in Dow's strategy of having cost competitive geographic and product positions that will enable value growth.

The project is a true partnership—helping the Omani government to meet their objectives of attracting foreign investment, diversifying the economy, creating job opportunities and laying the foundation for future downstream industries while helping us to access cost-competitive feedstocks to supply the fast-growing markets of Asia.

While we began our discussions with the Omanis prior to the launch of the FTAs, we have been tremendously impressed by the speed and progress made in the U.S.–Oman FTA negotiations. In particular, we give significant credit to the Omani negotiating team, for their very progressive attitude towards liberalization, not just in the reduction of tariffs but augmenting and improving domestic rules on intellectual property protection, investor rights and government procurement.

The Omanis are already signatories to the plurilateral Chemical Harmonization Tariff Agreement (CHTA)—not only helpful to my company but also to supporting simplified and efficient trade in chemical products.

This agreement is yet another example of the tremendous progress on reforms within Oman and the Sultan's progressive agenda. The Sultan has fostered a high degree of political stability within the country by instituting a new Constitution, which has created a more democratic infrastructure—including a deputy Prime Minister post, bicameral legislature and guarantees for basic civil liberties.

Ultimately, Oman is a key growth opportunity for American companies—particularly those, like Dow, that are heavily reliant on sustained access to low cost energy and feedstocks. With our value park concept, bringing in manufacturing partners to co-locate with our facility, the FTA will support additional American investment, creating significant new employment and economic opportunities in down stream

plastics industries. This is a concept we have already successfully implemented at the Dow Chemical Germany Schkopau site, in the former East Germany.

Dow views Oman as yet another strategic investment that enhances our global reach—accessing low-cost natural resources in a geographically strategic location to ultimately participate in the tremendous consumer markets of Asia.

That pattern of growth helps us, as an American company, deliver significant value back to our shareholders.

The FTA is not only a recognition for Oman's progress on economic reform and trade liberalization, but serves as a high-quality, high-standard benchmark for further progress on the President's vision for a U.S.–Mid East Free Trade Area by 2013. Oman serves as a living example of the benefits of progressive reform.

We are pleased to be a partner in Oman's development—and urge the House to recognize Oman's progress on economic reform and trade liberalization with an expeditious and positive vote on this agreement.

Mr. RYAN. Thank you. Let me start with just one question to you, Ambassador Cook. You are perhaps the best qualified to answer this. The Sultan has made a lot of concrete commitments in the area of labor issues, and you mentioned briefly in your testimony that your experience with the Sultanate is that they honor their words. I would like to see if you could elaborate more on that point specifically. This trade agreement is progressing based upon the agreements made by Oman in the area of labor. What in your estimation—how should we evaluate that? How do you believe, based on your track record with them and your understanding of the government, we should interpret those agreements and our faith in those taking place?

Ms. COOK. Thank you very much, Mr. Chairman. My experience with them has been over a range of issues, not just on labor or on trade but I could give you a couple of quick examples to show how they do honor their word. One of them is in the military sphere. As you know, we negotiate military access agreements in countries where we keep troops. If that has to be implemented, usually under very difficult circumstances, it is trying for the host nations.

One specific example is a fatality of a local citizen, which occasionally occurs where we have troops abroad—that was a very sensitive issue for Oman, where a troop killed an Omani driving accident. It was nothing more than an automobile accident, but you can understand how such an incident can be very sensitive, as indeed it is in Washington, D.C., when it occurs with diplomatic vehicles. They honored that agreement to the letter. It was obviously a very difficult issue for them locally, but they carried out every bit of—it was handled in 48 hours. That one is extremely sensitive, and something that they did honor very quickly in my time there.

They have done that as well with our various agreements with DOD for access to our facilities. Those are legal agreements that they have honored in my time there that have been difficult for them to honor, but they honor it without flinching. There was no attempt to negotiate or renege something-else. They did what they said they would do in the treaty, and that was it.

Mr. RYAN. Thank you. Mr. Rangel?

Mr. RANGEL. Mr. Chairman, I think those questions are so unfair because it detracts from the credibility of our former ambassador, who obviously served our country well, and has a good working relationship with the Sultan. You know, if we did business that

way, just on trust, we don't need any agreement. If the President said, "You are ambassador. Work out something with these people," and you came back and told the President, "We worked it out. I trust them," it would not look good on the U.S., nor on our embassy in that country.

Just because we differ doesn't mean that the we challenge the credibility of the Sultan. He is a nice man, but when we get out there and represent our constituents, we can't say, "You told us trust him." You know that, and you know it. We need to have something that is the U.S. policy. We have to talk to make certain we are talking the same language, since, I think, we basically want to reach the same goal.

Mr. Trumka, are your union officials willing to help out some of these countries that have cultural differences that can assist them in the language, whether it is ILO, or no matter what it is? It is just basic decency that we are talking about, and the ability of poor people to acquire funds so that they can buy U.S. products. Are you willing to go and help them since we have to assume that there is good faith involved in this by USTR, by our embassy, and by the countries and the Congress?

Mr. TRUMKA. Yes, very much so, sir. Not only are we willing to, we have been doing just that for any number of years, for decades, trying to help workers in other countries through the ILO, through the ICFTU, the International Confederation of Free Trade Unions, to help them get a better standard of living, help them get more enforceable rights and to help them increase their standard of living, of course we are. In fact, we have actually participated in negotiations in other countries with companies to help those workers get a better standard of living.

Mr. RANGEL. I would guess that if the USTR would ask what is the biggest impediment to getting bipartisan trade agreements, they would say it is labor. Have they consulted, to the best of your knowledge, with the leaders in your organization to see how we could work out those language differences?

Mr. TRUMKA. They have not.

Mr. RANGEL. Well, that is something maybe we can talk about, Mr. Acting Chairman, because communications is so important since there are so many people who don't want to listen on both sides. They shouldn't be using ILO as an excuse because we are not looking to support the ILO. We are looking for basic standards that everyone can agree upon, and they have to be minimum standards.

Mr. Billotti, you had indicated that the actions of your construction company in the U.S. is reflected in part in how you do business abroad in Oman. The Mayor of the city of New York had to set up a special commission because of the apparent absence of minorities in these construction jobs in New York, and I would assume, around the country. I don't know how familiar you are in New York City, but they don't have—well, what do you think about the hiring practices of your construction company in New York?

Mr. BILLOTTI. Of my construction company in New York? Well, I am most familiar with what we do outside of the U.S. That is my area of expertise.

Mr. RANGEL. I know, but you say that you reflect U.S. policies.

Mr. BILLOTTI. Yes. We have taken our U.S. personnel policies and we mirror them in places where we do business.

Mr. RANGEL. Well, if you deal with foreigners within a foreign country, I would like to know how you deal with Americans in New York City who are minorities.

Mr. BILLOTTI. That is a very good and fair question, and I can't speak to the specific accomplishments or statistics, but I do know that we go out of our way to form joint ventures with local minority companies in Brooklyn where I am from, and Manhattan, in the Bronx, where we will be building the new Yankee Stadium, but to us, minority participation is a very, very important part of our industry, and I could just—

Mr. RANGEL. Well, as you travel in New York City, you do see then the absence of minorities working on these sites, so much so that the unions and the Mayor and construction people have joined a special commission to see what we can do to change this obscene policy of the absence of minorities.

Mr. BILLOTTI. Again, I am not in a position to speak to the specifics of the industry in New York City. I can tell you though that Turner's policy has been, and continues to be, to attract minority participation in our industry.

Mr. RANGEL. Would you send me something on that as soon as possible?

Mr. BILLOTTI. Absolutely, I would be happy to.
[The written response from Mr. Billotti follows:]

May 18, 2006
Congressman Charles Rangel
163 West 125th Street, Suite #737
New York, NY 10027

Dear Congressman Rangel:

We met recently at the U.S. House of Representatives' Committee on Ways and Means hearing regarding the implementation of the U.S.-Oman Free Trade Agreement. At the hearing, you asked me about minority participation in the projects Turner Construction is involved in the U.S. and specifically in New York City, Turner's headquarters for almost 100 years. As the leading general builder in the U.S., Turner recently announced that it had awarded over \$1 billion worth of construction contracts to minority and women owned businesses (M/WBEs) during 2005. This is the first time in the history of Turner that the company has surpassed the \$1 billion mark.

By establishing joint venture and association partnerships, utilizing supplier and prime contractors, Turner was able to continue the company's ongoing commitment to minority and women owned business and secure more than 2900 contracts with M/WBE firms in 2005. Turner is committed to supporting communities in areas where we do business and has a longstanding record of this support across the U.S. The company has received well over 100 awards for leadership in utilization of M/WBEs. Our objective is to increase the visibility, improve the economic viability and expand opportunities for these businesses.

In New York, we have increased the total volume of work awarded to MWBEs from \$300,275,574 in 1995 to \$978,851,957 in 2005. Specifically, within your own Congressional District, District 15, Turner has worked on City University of New York/City College of New York, Columbia University and Harlem Center with minority and women-owned businesses over the last several years. I have attached a report from our New York business unit's Community Affairs department which highlights our MWBE work locally. I believe that companies must reflect the communities in which we live and work. The utilization of M/WBE firms is critical to the overall success of the construction industry and of Turner. Our environment, culture, policies, programs and practices reflect the high value we place on diversity and outreach to M/WBEs.

In closing, I would again like to thank you for allowing me to speak in support of the U.S.-Oman Free Trade Agreement. Please feel free to contact me should you

or other committee members desire additional information about the M/WBE participation

Sincerely,

Nicholas Billotti
President and CEO
Turner Construction—International

cc: U.S. House of Representatives' Committee on Ways and Means

Congressman William Thomas
Congressman E. Clay Shaw
Congresswoman Nancy Johnson
Congressman Wally Herger
Congressman Jim McCrery
Congressman Dave Camp
Congressman Jim Ramstad
Congressman Jim Nussle
Congressman Sam Johnson
Congressman Phil English
Congressman J.D. Hayworth
Congressman Jerry Weller
Congressman Kenny Hulshof
Congressman Ron Lewis
Congressman Mark Foley
Congressman Kevin Brady
Congressman Thomas Reynolds
Congressman Paul Ryan
Congressman Eric Canter
Congressman John Linder
Congressman Bob Beauprez
Congresswoman Melissa Hart
Congressman Chris Chocola
Hilton O. Smith, Turner Construction

Mr. RANGEL. What is Turner's policy in terms of hiring non-citizens?

Mr. BILLOTTI. In terms of hiring non-citizens?

Mr. RANGEL. People who are not citizens of the U.S. of America.

Mr. BILLOTTI. Working inside the U.S. or outside of the U.S.?

Mr. RANGEL. Inside the U.S.

Mr. RYAN. I will have to ask you to answer briefly. Time has expired.

Mr. RANGEL. Yes, we are over time.

Mr. BILLOTTI. We only hire people who are either U.S. citizens or who have valid work permits in the U.S. to work in the U.S.

Mr. RANGEL. Thank you.

Mr. RYAN. Mr. Camp.

Mr. CAMP. Thank you. Mr. Chairman, I want to thank all of our witnesses for their testimony. Thank you very much.

My question is really to Mr. Billotti and Mr. Weitzel and Mr. Schwartz. If you could just briefly answer. You all have experience in the region. Based on that experience in the region, I would like to know how closely these countries and their citizens follow developments in the U.S. on our relationship, and how do you believe the people of the region would react if action on the agreement is delayed or if Congress seeks to reopen it for negotiation? If you could just comment. Mr. Billotti, why don't you start?

Mr. BILLOTTI. In my experience, they follow what happens in the U.S. very closely, and if this agreement was not to go forward, I think it would have a detrimental affect on relations with Oman.

Mr. CAMP. Thank you. Mr. Weitzel?

Mr. WEITZEL. We have three English newspapers in Muscat, and every one of them has an American section. We know what is going on back home, plus television has CNN everywhere, and Fox News, the whole bit. We are very aware of what is going on. The FTA has been discussed and talked about in the business community from the very beginnings of the time when negotiations started, and there is excitement, there is anticipation that—it is like Christmas, if you will, with a new toy coming out the door. There will be a lot of disappointment if it is delayed, and the business community is ready to execute and make this happen, and make it good for both Omani and the U.S.

Mr. CAMP. All right. Mr. Schwartz?

Mr. SCHWARTZ. My experience is the Omanis are very proud of their relationship with the U.S., and that they are excited about this FTA agreement going forward, and I think it would be a very big disappointment, and very much impact our relationships with the country.

Mr. CAMP. Thank you.

Thank you, Mr. Chairman.

Mr. RYAN. Mr. Levin?

Mr. LEVIN. Thank you.

A couple of quick comments. I think commercial benefits of this Agreement are clear. In fact, I think all of you, except Mr. Trumka—I don't think he is—one way or another, are involved with the commercial benefits, right, your companies or your consulting business? It is clear there are commercial benefits, and there are important commercial benefits.

Secondly, I hope nobody thinks this is a question of goodwill between our two nations, it isn't. I think Democrats prefer to be able to vote for an FTA. I think whether it is in October, November or September, or late July is hardly a matter that would affect goodwill between our Nations. It seems to me a bit of an exaggeration. It is clear there has been progress in the country under the Sultan. No one is challenging that.

Mr. Rangel and I are not sure who is left, who is listening, but he asked a good question. In no other provision do we rely on promises. We don't, whether it is tariff reductions, intellectual property, investment procedures, we don't say it is good enough that they say they will do better. I just want to emphasize the reason this matters, it is not a narrow issue, but it affects the whole pattern and path of globalization, and we are learning more and more what happens in a country where globalization benefits are not shared. I just want to quickly refer, while Mr. Ryan is here, I just want to go through what appear to be some of the shortcomings, and I have just a minute or two.

It is true, there is a labor law reform, and it was a step forward, but this appears to be the fact today, that in these representative Committees, that is what they are called, they have to notify a ministry a month before a meeting, provide a copy of the agenda. The company can send a delegate to these meetings, but the rep-

representative Committee cannot join any organization with headquarters outside of Oman. Those are clear violations of ILO standards. You have to be an employee for a year before you can belong to a representative Committee. That is another clear violation. This appears to be the language under the 2003 law. I read: the employer has the sole discretion—no, the employer may establish schemes from which his workers may get advantages which are more beneficial than what is prescribed or provided than with other benefits or enter into agreements with them, the terms of which are more beneficial than the terms provided for in this law.

That is not at all a mandate to bargain collectively. It is permissive as we read it. Then under the 2003 law relating to Committees, it appears that employers can elect people to these Committees. Also, the law requires a single main representative Committee and requires that all representative Committees belong to it. That is a clear violation of freedom of association. It is because of this larger issue that we raise these questions, and there is no use trying to skirt them, and I am not sure who is here, I think I do from the Omani government. I simply urge that there be a major effort to sit down and to talk about these issues, and see if there cannot be remediation meeting the basic standards before this matter comes up for a vote. There is no reason, Mr. Acting Chairman, why that can't happen.

Mr. RYAN. Thank you. The gentleman's time has expired. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman, acting or otherwise. I want to thank this panel for really providing some thought-provoking insights on this very important FTA. Because the issue has been raised, and because three of you represent organizations that have operations in Oman, can you please comment, Mr. Schwartz, Mr. Weitzel and Mr. Billotti, how have you found the overall business climate and working conditions in Oman compared to other nations in the Persian Gulf Region, and to what extent is Oman a model for other nations in the region as a country that has dramatically modernized itself since 1970? Mr. Schwartz.

Mr. SCHWARTZ. Currently our project in Oman is in the design stage, so we don't have a big employment workforce there to comment on, but I can comment, based upon my visits there, my interactions with the Omani people, people have been very impressed with the interaction, how progressive they are in terms of how they operate, and how much women are involved in the workforce. My perception is a very progressive labor environment.

Mr. ENGLISH. Mr. Weitzel?

Mr. WEITZEL. Sir, our organization has operations in Qatar, Bahrain and Oman, so I can tell you that the three countries are different, but yet, Oman is unique in the fact of its openness, in my opinion. The government is willing to speak and talk with the companies that have questions. In preparing my testimony, we sent an e-mail to the Minister of the Interior, and he sent back an answer the very same day.

The companies, the Omani companies, are very interested in finding out ways to get into the American market and bring products over to Oman. Compared to the other countries, they are a step ahead in the business world because they do not have the

hustle and bustle of Qatar and the construction that is going on there. They just seem to be a little bit faster in accepting the changes that come about, and I am very pleased that they are doing that because it means business for everybody.

Mr. ENGLISH. Mr. Billotti?

Mr. BILLOTTI. The Turner Company works in all of the Gulf nations with the exception of Yemen. I have traveled the region for 30 years now, and I have worked in Saudi, the UAE, and all of the countries. I find that the Omanis are a little bit different and I think that is because they don't have the same oil, gas or petroleum wealth that so many of the other Gulf countries carry. I think because of that, they are more open. They certainly tend to be more appreciative of some of the business standards and ethics that we try to bring, and our working relationship, I have to honestly say, has probably been as good or better in Oman than in any of the other Gulf nations, even though we do more work in Dubai, for instance, and Abu Dhabi and even in Saudi.

Mr. ENGLISH. Mr. Trumka, I want to congratulate you for raising issues about labor standards in Oman, and certainly this is something that our Committee has been very interested in and very concerned about, and accordingly, we have been very pleased with the statement that the Omani government has provided us, a commitment to move toward those ILO standards as we advance the FTA.

One thing that was missing from your testimony, I know that we have received analysis from USTR and the Department of Commerce about the point that the gentleman from Michigan made, that there are clearly commercial benefits from this FTA. With some FTAs, Mr. Trumka, you know, we have had legitimate concerns about job loss on the U.S. Do you have any economic analysis or study that suggests that we would experience significant job losses in the U.S. if we were to enter into this Omani FTA?

Mr. TRUMKA. Thank you, Representative English. First of all, in my full testimony, I answer some of those questions. We would be glad to provide additional amplification if you are interested in it. There is some chance that in energy-intensive industries that there will be job loss to Oman from the U.S., not nearly as significantly as NAFTA or the other FTAs that have been entered into.

Mr. ENGLISH. I think Mr. Schwartz would probably point out and I will conclude on this point, that although low energy costs are obviously one of the reasons why Dow finds Oman attractive, nevertheless, the jobs that would likely move to Oman, as I understand it, would be jobs that would otherwise be offshore anyway because they are so energy price sensitive. I will examine your testimony in detail, and if you have anything else concrete to provide the Committee about actual potential job losses, we would certainly like to see them, because so far, the overpowering evidence here is that although the benefits will be modest from this FTA, clearly, there are net benefits.

I thank the Chairman for your indulgence.

[The response from Mr. Trumka was not received at the time of printing.]

Mr. RYAN. Thank the gentleman. Mr. Cardin?

Mr. CARDIN. Thank you, Mr. Chairman, and let me thank all the witnesses for their testimony.

During the CAFTA debate, I was visited by a lot of representatives from the business community in support of CAFTA, and I went over with them some of the discussions I had on workers' rights and the fact that we could have made greater gains in CAFTA on workers rights, but that it was mainly our country that was holding back the progress on workers rights. The business representatives were surprised to hear that.

I guess my point is similar to the discussion I had with the first panel, with our Trade Representative, in that with Bahrain we negotiated for stronger provisions on workers' rights, and it was like pulling teeth, not with the people from Bahrain, with the people from our Administration.

My point is this, where is the business community on workers' rights? What do you want to see accomplished in international agreements? I find that when labor and business works together, there is nothing we can't accomplish. When we did the Trade Promotional Authority, TPA, we had a huge fight in this Congress on workers' rights, and we got no support from the business community to give us the opportunity to negotiate stronger workers' rights internationally. My own observation is that we have some of the strongest protections for workers than any country that we trade with, although at times, I wonder whether that is being enforced properly.

My point is this, your silence speaks volumes. You want us, and I want to open up markets. Part of your priority to raise standards in this regard so that American workers, American businesses, American manufacturers can have a better competitive environment internationally. It seems to me it makes sense to do that. I will check my files. I don't remember receiving a single letter urging us to be more aggressive on workers' rights from any of the business groups that you all represent today. I would love to have your comments.

Mr. BILLOTTI. I have to comment to that. I tell you, the Turner Company, and particularly, those of us who work internationally are absolutely committed to worker rights. There are some deplorable conditions that exist outside of the U.S., places like the Middle East, places in Latin America, places in Asia where we have work. Our staff has worked extremely hard in enforcing safety standards and organizing to know that people are fed properly, that they are paid on time. We had people go out to a labor camp to inspect it. This is not our labor camp, but a contractor's, and we forcibly closed that labor camp because it did not come close to any humane standards.

The Turner Company, whether we may or may not have written and taken issue through the U.S. Congress, but I can tell you that as a practical matter, each and every one of us who work out in the field in so many of these locations outside of the U.S., work every day to enforce labor standards. It is to our benefit, because workers who are well paid, who are well fed, who are housed properly, are better workers, and it increases the productivity. We do it for selfish reasons. We want people to work for us and to work hard for us.

Mr. CARDIN. Will you support Congress' effort to give the U.S. Trade Representative greater authority to negotiate worker standards internationally in trade agreements?

Mr. BILLOTTI. I can't imagine how I could say no to that.

Mr. CARDIN. Thank you. I would appreciate other Members' views on it.

Mr. WEITZEL. Sir, we have almost 800 employees in Oman, and 269 of them are Omanis, and the rest are expatriates. We are excited about the opportunity that the Omanis are going to be given with their representative groups. We have set up an English language course formed down at one of our operations at Thumrait Air Base. We want to see them mature as a workers' representative group into a union and into taking care of their concerns and rights. It is something, three operations have to occur. The workers have to get knowledge and they have to become mature in being a representative group. The government has to do the same thing. It is foreign to them to have a union. The courts must also do that same thing because they have to learn how to adjudicate union cases.

The trends and the thoughts and the ideas of the courts need to focus on what is right for the workers and what is right for the companies.

Mr. CARDIN. I will just make this final observation. Unless it becomes part of core trade agreements, you are not going to get the respect from the other countries to do what they need to do to raise international worker rights.

Mr. RYAN. Thank the gentleman. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. First, welcome and thank you very much for being here, and Ambassador Cook, especially. Thank you for the insights on how things operate, what we should expect with regard to the Omani government and the people. I think for the most part, every Member here would agree with what you are saying. They have proven over the years that they are really a friend, someone who really wants to continue a partnership with us, and I think most of us would agree that they have made progress, meaningful progress, with regard to the labor standards. The difficulty is, we know they still have a bit to go, and the difficulty some of us have, is that if we don't try to make sure that our agreements get them there. Then what we do is in essence give them a pass if they should not get there in the future; it only hurts American working men and women and Omani working men and women.

If you take a look, and I know all of you had a chance to sit through the first part of the discussion with Ambassador Schwab, and now this discussion. We have not had a discussion about a disagreement with any other aspect of the trade deal except this, the treatment of labor and environment, and how it is treated differently. Why we would want to treat the protection of working men and women in America differently than we treat products from America, I am not sure, or why we would want to treat industrious men and women who work in America differently than the intellectual property that is amorphous that we protect, I am not sure, but that is the crux of this.

Quite honestly, I think those of you who followed some of these trade debates, probably you know this as well, that if we could handle this issue, we would have what we used to have, robust bipartisan agreement on trade deals that would show a clear face of the U.S. when it comes to trading with our partners, and it is unfortunately, because most of these trade deals that have passed in the last few years have passed by one vote, and that is the worst face you want to show your competitors, even your foreign partners, because you want to show a very united front in America when it comes to that trade deal.

Quite honestly, I think as some of you have just indicated, especially from the business community, we are really not that far away. What some of us are saying is what President Reagan said, trust but verify. We want to know that it is in the agreement that we will continue to lift standards, and by the way, we are willing to also give time so some of those countries that are developing have that opportunity to get there. We do not expect them to be there yesterday.

If all you say is enforce your own laws, how does that work? Mr. Billotti, let me ask you this. If all the work that you do, all of a sudden you found that the contractors in Oman simply had to abide by a law which said Oman contractors and subcontractors get preference when it comes to disputes, and therefore, they are entitled to have representation in court, but foreigners are not; would that seem right to you?

Mr. BILLOTTI. Well, it certainly wouldn't seem right. If it doesn't take place, and we wouldn't participate.

Mr. BECERRA. See, that is the point, none of us expects that to be the case. Where there are areas of deficiency, as we know exists on some of the labor side, what we want to make sure is that they continue to cleanse those, so that we do have appropriate laws. I think some of you have just said it from the business community. You wouldn't expect to see us wanting to reach agreements with countries that aren't going to respect whether it is intellectual property, financial services laws, or certainly labor laws, because it makes it tough for you to compete. I continue to say that the biggest losers when we don't have good agreements on these labor provisions, are American companies, because as you just expressed, we probably bring higher standards into some of these countries than what exist. It is going to be tough for American companies to continue to want to do that if you have got other competitors from other countries who don't care to bring up standards.

At some point you are going to have to decide, do I compete with them at the lower standards to be able to match them, or do I continue to just have a higher cost? Ultimately, American companies lose. I don't think American companies go abroad simply to take advantage of cheap labor. I think we go out there because we see there is a good business decision being made, and also it benefits all of us here and abroad when you all produce more, create more jobs. You still have to hire an American here to do the accounting if nothing else because of the work that you have done abroad.

Rather than have a question, let me just make a plea to you, as I think the gentleman from Maryland—to help us. We are that close to having deals that are again bipartisan with robust votes

in favor on both sides of the aisle. We are not far apart on the language. Some of us are simply saying, let's have that floor so you can't see companies go below it. That is clear and enforceable. Right now these agreements don't have enforceable language to protect working men and women, not just in America, but in those other countries as well. Let's, again, respect that the Omani government has been moving forward.

I don't really have a question there. If any of you wish to comment with the time that I have remaining, I would be more than willing to open up the floor.

Mr. RYAN. Sorry, but the gentleman's time has expired. We will just have to call it at that. I want to thank the witnesses for taking the time to come here. Some traveled great distances. I want to thank the first panel. This hearing is adjourned.

[Whereupon, at 1:08 p.m., the Committee was adjourned.]
[Submissions for the record follow:]

Statement of David Hamod, National U.S.-Arab Chamber of Commerce

"From the first recorded contact—the arrival in Muscat of a ship hailing from Boston named the *Rambler* in September 1790—until the present day, the bonds between Oman and the United States have been warm and enduring. Both nations share a seafaring heritage, mutual commercial interests, a tradition of tolerance and a desire for contact with other cultures as some of the distinguishing features of this long-term relationship." U.S. Embassy, Muscat, Oman

Mr. Chairman, Mr. Ranking Member, and distinguished members of the House Ways and Means Committee: Thank you for the opportunity to testify today on the proposed Free Trade Agreement (FTA) between the United States and the Sultanate of Oman. My name is David Hamod, and I serve as President & CEO of the National U.S.-Arab Chamber of Commerce (NUSACC). I have also been a regular visitor to Oman for most of the past two decades.

NUSACC, established nearly 40 years ago, is widely regarded as the voice of American business in the Arab world. We are America's longest serving chamber of commerce dedicated to

U.S.-Arab business, with membership rolls that now include more than 1,500 companies. With offices in New York, Houston, Los Angeles, and our headquarters in Washington DC, NUSACC is a nexus for U.S.-Arab business and the only chamber of its kind that covers the nation from coast to coast.

Moreover, NUSACC is the only entity in the United States with official recognition conferred by the League of Arab States and the General Union of Arab Chambers of Commerce, Industry, and Agriculture. As such, we serve as the U.S. point of contact for the national chambers of commerce in the 22 Arab nations—including the Oman Chamber of Commerce and Industry. We also have longstanding relationships with the American Business Council of the Gulf Countries (ABCGC) and the Muscat American Business Council.

NUSACC supports free trade agreements between the United States and our trading partners around the world because we believe that such agreements create "win-win" opportunities. In our view, the FTAs that are currently being negotiated with countries in the Arab world will help both sides to increase exports, generate jobs, develop business practices that are well suited to the international marketplace and, over time, improve the quality of life in the United States and the Middle East.

We are pleased and honored that the House Ways and Means Committee has invited us to provide this "big picture" assessment of U.S.-Oman relations and why we believe that an FTA between our two nations would be in the best interests of the United States and Oman alike.

Under the thoughtful leadership of H.M. Sultan Qaboos bin Said al Said, Oman has been transformed from an economic backwater to one of the most progressive and attractive nations in the region. And unlike some of its neighbors in the Arabian Gulf area, Oman has achieved this status without the benefit of huge energy reserves—relying instead on the resilience, determination, and entrepreneurial spirit of its people.

According to our chamber's forecast for 2006, U.S. merchandise exports to Oman are on track to reach nearly \$1 billion this year—which translates into more than

15,000 direct U.S. jobs. The 2006 figures represent an increase of nearly 56 percent over 2005, when U.S. merchandise exports totaled \$593.3 million.

The U.S. has become the third largest exporter to Oman, and if our two nations implement this FTA, market share for U.S. products in Oman is expected to close in on that of the United Arab Emirates and Japan, ranked first and second, respectively. The UAE is an important hub for re-exports to Oman. If and when the U.S.–Oman FTA enters into force, it is safe to assume that the FTA will increase profit margins for U.S. exporters by cutting out some of the transshippers and “middlemen” who drive up the costs of U.S. products. And as for Japan, it is moving aggressively to sign its own FTAs with Oman and other nations in the region.

Under the terms of the FTA, according to the Office of the U.S. Trade Representative, 100 percent of bilateral trade in industrial and consumer products, and no less than 87 percent of agricultural tariff lines, will become duty-free immediately upon entry into force of this agreement. The United States and Oman will phase out tariffs on the remaining products within ten years.

With this in mind, our chamber encourages the U.S. Congress to support the Free Trade Agreement with the Sultanate of Oman for a variety of reasons:

Successful Market for the United States—In recent years, Oman has steadily grown its commercial relationship with the United States. As a result, there are upwards of 100 U.S. companies with a presence in Oman, and U.S. firms are playing an important role in Oman’s strategic planning for the 21st century.

A little over a year ago, for example, the Dow Chemical Company entered into a partnership with the Oman Oil Company to build a polyethylene complex at the Sohar industrial port zone. H.E. Maqbool Ali Sultan, Oman’s Minister of Commerce & Industry, hailed the new partnership as a “further milestone in the Omani Government’s objective to attract foreign investment, diversify the economy, create job opportunities, and lay the foundation for future downstream industries.”

Equally impressive was the initial public offering (IPO) last year for shares of AES Barka, the largest operating independent power and water project in Oman. Led by the AES Corporation of the United States, the IPO was oversubscribed by more than 16 times, according to BankMuscat, amounting to nearly half a billion U.S. dollars. The company, which has an installed capacity of 427 MW and 20 million gallons of water, started commercial production in June 2003 and, within the first year, it reached profitability. The project was named “Investment Project of the Year—2003” at the Oman Awards for Excellence.

Another high profile undertaking involving a U.S. company is the \$3.5 billion Dolphin project, in which Occidental Petroleum is a joint venture partner. This ambitious project is linking the gas networks of Qatar, the UAE, Oman and, eventually, the Indian subcontinent. Under a deal reached in March 2003, Oman Gas Company (OGC) began supplying gas to Dolphin in the fourth quarter of 2003, and deliveries will continue for a period of up to five years. This agreement marks the first cross-border gas delivery in the history of the GCC.

Open Economy—Oman has made significant progress over the years in integrating its economy into the global marketplace, and an FTA with the United States would further reinforce Oman’s efforts to promote economic liberalization. According to Economic Freedom of the World: 2005 Annual Report, published by The Fraser Institute (www.freetheworld.com), Oman has the seventeenth freest economy in the world. This ties Oman with Finland and places the Sultanate ahead of such nations as Germany (#19), Taiwan (#24), Spain and Japan (tied for #30), South Korea (#35), and Italy (#54).

Just a few years ago, some of Oman’s tariffs ranged as high as 15 percent (e.g.—food products). Today, according to the National Association of Manufacturers, Oman’s applied tariff rates range from 4.5 percent to 5.7 percent. The Government’s decision to lower tariffs is helping to make U.S. products more competitive in the Omani market, thereby serving Oman’s consumers and curbing overland imports from Dubai, the re-export capital of the Arabian Gulf.

Respect for the Rule of Law—The best objective measure of Oman’s adherence to the rule of law may be Transparency International’s Corruption Perception Index 2005, which ranked Oman 28th in the world—tied with Israel—with a low level of perceived corruption. (www.transparency.org) Oman ranks number one in the Arab world and placed higher than such nations as Taiwan (#32) and Italy & South Korea (tied for #40) among the 159 nations that were studied. TI’s Corruption Perceptions Index draws on 16 different polls from ten independent institutions.

Oman is also making headway in its efforts to promote good governance. For example, the Central Bank of Oman (CBO), in association with the Arab Banking Union and the Oman Chamber of Commerce and Industry, has been hosting seminars on the role of corporate governance in Arab banking institutions. One such seminar recently attracted corporate leaders from throughout the Arab world.

Political Stability and Investment Appeal—Under the leadership of H.M. Sultan Qaboos, Oman has been one of the most stable nations in the Arab world for more than three decades. This is not easy, given the “tough neighborhood” that the Middle East can sometimes be. Oman has a well deserved reputation for diplomacy and moderation, two traits that have enabled the Sultanate to stay on good terms with just about everyone in the region. Because of Oman’s commitment to tolerance, the Sultanate has also been very successful at accommodating traditional Islam while at the same time hosting a wide variety of cultures among Oman’s many expat residents and foreign visitors.

Oman remains heavily dependent on oil, which makes up approximately 40 percent of the country’s GDP, more than 80 percent of the country’s exports, and some 75 percent of the government’s revenues. Such dependence is of great concern to the Government of Oman because the life cycle of the nation’s oil fields is in decline. With this in mind, Oman is aggressively pushing for diversification and privatization, particularly in the form of “Omanization”—replacing expatriate workers with Omanis.

In an effort to make Oman more attractive to prospective partners around the world, Oman has waived requirements that foreign businesses had to enter into exclusive agency agreements. In addition, a ministerial decision was issued in 2000 waiving the requirement for foreign firms to partner with a 51 percent Omani-owned company in order to obtain an import license.

Oman has also created a series of incentives in recent years that will encourage investments by U.S. partners and others. Some of these incentives include tax exemptions for five years for industrial enterprises that contribute to Oman’s economy, a stable currency with full convertibility, no personal income tax and no foreign exchange controls, tax and import duty exemptions, and interest-free long-term loans for industrial and tourism projects that involve foreign investment. Oman also touts its price stability, with an inflation rate that has not exceeded one percent since 1992.

NUSACC sees these efforts to liberalize Oman’s economy as important steps along the path to a U.S.–Oman Free Trade Agreement.

Adherence to International Agreements—Oman is a member of the World Trade Organization (WTO) and is making steady progress in its efforts to support intellectual property rights (IPR). The Omani trademarks regime consists of Royal Decree 68/87, Decree Law No. 635/1991 and Royal Decree 33/91. Oman’s latest Copyright Law, No. 37/2000, updated the earlier Royal Decree 47/96, enacted in 1996. In addition, Oman has joined the Patent Cooperation Treaty and has asked the World Intellectual Property Organization (WIPO) to register the Sultanate as a signatory to the Paris and Berne Conventions on IPR.

According to the International Intellectual Property Alliance (IIPA), Oman is enforcing its copyright laws and bringing down piracy levels. The piracy level for business software was 87 percent in 2000 and dropped to 71 percent two years later. The piracy level for motion pictures is even more impressive: from a high of 100 percent in 1995, it has dropped to below 25 percent—making it one of the lowest rates in the region. However, the IIPA reports that there is still room for improvement when it comes to the WIPO Copyright Act and the Performances and Phonograms Treaty.

During my visits to Oman 15 years ago, the telltale signs were everywhere that there was relatively little enforcement of intellectual property rights. Pirated computer software, bootleg videos, and designer clothing knock-offs were widely available. Following its accession to the WTO, however, Oman began cracking down in earnest on IPR violations. Today, with support from the private sector, Omani authorities are keeping the heat on IPR offenders, routinely conducting sting operations on illicit video producers and busting rings of counterfeiters.

Strategic Support—The Sultanate of Oman, with its close proximity to the strategic Straits of Hormuz, is an important asset for the United States military in the Middle East. Over the years, Oman has provided invaluable support to the U.S. forces in terms of forward deployments of U.S. servicemen and women and the prepositioning of U.S. materiel. Oman hosts an estimated 3,000 U.S. servicemembers, particularly from the U.S. Air Force.

According to the U.S. Department of Defense, “Oman has been a coalition partner for over thirty years. Oman’s active participation during the Gulf crisis and their willingness to allow access to port facilities and air bases make them vital to any coalition success in the region.”

Supporting the Fight Against Terrorism—Oman has been a strong and reliable partner in the war against terrorism. Since 2001, the Sultanate has taken decisive steps to combat money laundering and to shut down any financial resources that might be available to terrorists. Oman is also hoping to become the second Arab na-

tion to put the U.S. Container Security Initiative in place, allowing U.S. personnel to inspect cargo bound for the United States.

Oman has been unequivocal about its willingness to stand “side by side” with the United States in America’s fight against terrorism. H.E. Yousef Bin Alawi Bin Abdullah, the Head of Oman’s Delegation to the United Nations, stated in New York not long after 9/11, “We would like to reaffirm again our solidarity with the United States of America in fighting all forms of terror against humans wherever they are.” He went on to say, “Stemming from my country’s firm position of condemning terrorism in all its forms, and in compliance with the goals of the United Nations of maintaining international peace and security, my country ensures its support toward the international efforts in fighting terrorism. . . .”

Commitment to Human Development—When it comes to capacity building through social policies, Oman is one of the most progressive nations in the region, thanks to the enlightened leadership of H.M. Sultan Qaboos. The Sultan has encouraged women to play a leading role in the development of Oman on the grounds that to “exclude women is to exclude 50 percent of the country’s potential.” In large part as a result of the Sultan’s encouragement over the years, there are more female graduates these days than male graduates.

Women in Oman have the right to vote and run for office in Consultative Council elections, held every four years. Oman has three women in its Cabinet, and it is no coincidence that Oman has produced the first fully accredited female ambassador to the United States from the Arab world, H.E. Hunaina Sultan al-Mughairy.

A strong commitment to education is a key component of a nation’s ability to encourage economic development, and Oman has one of the most respected literacy rates in the Arab world. The Omanis have made remarkable progress since 1970, when H.M. Sultan Qaboos acceded to the throne. Before 1970, Oman had only three schools, and only boys were allowed to receive an education. Today, Oman boasts upwards of 1,000 schools, and boys and girls are equally represented.

There was also a time in Oman when the opportunity to learn English was only available to small number of Omanis. Today, in recognition of English as the *lingua franca* of international commerce and diplomacy, English is being taught in the first grade, with five lessons per week.

One academic success story that connects the United States to Oman is The American International School of Muscat (TAISM), which “pursues academic excellence for students in the international community through an American-based education that develops ethical, responsible, and globally conscious life-long learners.” TAISM, designed to afford expatriate children of all nationalities with an educational program in the context of an American-based curriculum, is accredited by the New England Association of Schools and Colleges (NEASC) and the Council of International Schools (CIS).

Respect for Workers’ Rights—Oman joined the International Labor Organization in 1994, and the Sultanate has come a long way over the years in its efforts to encourage labor reform and support the rights of workers. This is still a work in progress, but NUSACC is encouraged by steps that Oman has taken and continues to take.

In NUSACC’s view, the most significant step forward came in 2003 with the passage of a new labor law (Royal Decree 35) that enables workers—Omanis and foreigners—to join “worker representative committees.” These committees represent an important step forward in effectively granting workers the right to strike, engage in collective bargaining, and take their employers to court. According to the Office of the U.S. Trade Representative, “Oman is currently working with the ILO on additional regulations to ensure that the implementation of collective bargaining provisions is consistent with international labor standards.”

Environmental Protection—Under the leadership of H.M. Sultan Qaboos, a lifelong environmentalist, Oman has been dedicated for decades to the preservation of nature. Oman was the first country in the Arab world to establish a full-fledged Ministry of Environment, and Oman was one of the first nations in the region to design a strategic plan for the environment. As part of that nation’s efforts to raise public awareness, Omani Environment Day is celebrated each year on January 8.

In addition to establishing the Ministry of Regional Municipalities and Environment to handle environmental issues, H.M. Sultan Qaboos sponsors a major biennial conservation award, the first of its kind in the Arab world. The award is presented as part of the UNESCO “Man and the Biosphere” Program to highlight outstanding contributions to environmental preservation.

In recognition of his environmental stewardship, H.M. Sultan Qaboos has received the prestigious John C. Phillips Memorial Medal from the World Conservation Union and the Order of the Golden Ark from the World Wildlife Fund (WWF). In

cooperation with the WWF, Oman has established six nature preserves to protect and support the breeding of endangered species.

When the United States and Oman inked the Free Trade Agreement on January 19, 2006, U.S. Trade Representative Rob Portman noted, "With our signatures today, we cement our long-standing friendship and growing commercial ties and create new economic opportunities for both of our countries . . . For decades, Oman and the United States have shared a desire for peace, stability and economic opportunity in the Middle East. Today we take an important new step in our partnership." The U.S. is well aware of "Oman's enthusiasm for open trade and free markets," concluded Ambassador Portman. "We welcome that spirit and we are pleased to have Oman as a partner in our efforts to raise living standards and promote peace through trade."

In many ways, these statements echo sentiments of the House Ways and Means Congressional delegation that visited Oman in late 2004. That report stated, "The delegation strongly supports the negotiation of an FTA with Oman and is pleased to see the commitment and drive by Oman to conclude such negotiations. . . . Oman has undertaken significant economic and political reforms in a short time, particularly in the banking and insurance sectors, demonstrating its capacity and willingness to use objective, transparent standards."

A wide range of business leaders and U.S. policymakers recognize Oman's genuine commitment to reform and to enhancing free trade with the United States. With this in mind, NUSACC lends its full support to a U.S.-Oman Free Trade Agreement, and we look forward to doing our part to help turn this vision into a reality in the months ahead.

Thank you for the opportunity to testify today, Mr. Chairman. I would be pleased to answer any questions that you may have.

Statement of Frank A. Keating, American Council of Life Insurers

Mr. Chairman, Mr. Ranking Member and distinguished members of the House Ways and Means Committee: Thank you for the opportunity to submit a statement on behalf of the American Council of Life Insurers in support of the proposed United States—Oman Free Trade Agreement. Our industry looks forward to swift and successful passage of the aforementioned agreement.

The American Council of Life Insurers ("ACLI") represents three hundred seventy-seven (377) member companies operating in the United States that account for 91 percent of total assets, 90 percent of the life insurance premiums, and 95 percent of annuity considerations in the United States. Internationally, ACLI members account for over 99 percent of life insurance premiums generated in overseas markets by U.S. based life insurance and retirement security companies.

ACLI applauds the achievement of U.S. trade negotiators in concluding the U.S.—Oman Free Trade Agreement because we believe it continues the high standard of commercially meaningful free trade agreements ("FTAs") which support our bilateral objectives in these markets and facilitate progress in the World Trade Organization's Doha Development Negotiations. We fully support the ongoing U.S. strategy of bilateral and regional FTAs as a mechanism for expanding market opportunities for U.S. insurance and retirement security exporters.

ACLI's members are proud of the positive contribution we make to the U.S. financial services export surplus and are committed to further expand our global market presence through trade negotiation and facilitation to further create wealth and jobs at home in towns across America. We are also proud that our industry's products help build individual and national economic stability in markets where they are freely available, and that in turn supports strong and growing global economies throughout the world.

While Oman is a relatively small insurance market by global standards with a population of under three million, the Omani insurance premiums as a percentage of GDP (1.28%) and per capita spending on insurance (U.S.\$103) are both well above the regional averages. As the vision of a broader Middle East Free Trade Area gains support, these positive Omani market indicators, coupled with a young and growing regional population, make this agreement a strong foundation upon which to build even more advanced regional objectives.

Overall insurance premiums in the region grew by 4.1% in real terms in 2004 against the backdrop of Oman's 2004 7.5% growth rate, based largely on an increasingly efficient, open and transparent regulatory system. The Omani government has demonstrated an understanding of the importance of an innovative and dynamic in-

insurance market and it has endeavored to build one for all companies operating in the market. In addition to a virtually perfect set of commitments on market access and national treatment for our industry, the U.S.–Oman FTA disciplines on transparency and administrative procedures will lock in important pro-competitive regulatory practices that allow U.S. companies to provide new and innovative products. The value of these disciplines can not be overstated in building U.S. market share.

As a highly regulated financial service, transparency and administrative procedures commitments are regionally and globally critical to our success and the regulatory, and by extension, market stability of the nations in which we operate. Vague, inconsistent or capricious regulation and supervision is in many ways worse than outright barriers to market access and expansion. By contrast, in signing this agreement, Oman has committed to provisions based largely on the U.S. Administrative Procedures Act.

Put in a broader context, the transparency and other “rule of law” provisions in this agreement also set a strong foundation for the Omani regulatory and legal environment which has tangible benefits for our companies as foreign stakeholders in the Omani economy. This in turn allows access to competitive insurance and benefits products, which is beneficial for Omani workers and families and represents one of the best elements of U.S. commercial diplomacy.

Described more specifically, through this FTA, Omani citizens will have increased access to world standard financial services products to help them protect their families and take individual responsibility for their economic futures. Second, Omani workers will have increased access to world standard life insurance, retirement security and health insurance products. Third, Omani businesses will have increased access to world standard employee benefits and risk management technologies. Our companies therefore look forward to advancing their stake in this marketplace. By any yard stick, this agreement is a major step forward for all involved.

In conclusion, we believe the U.S.–Omani FTA builds on all previous FTAs and represents a gold standard for future bilateral and multilateral agreements, while extending traditional American values of transparency, economic empowerment and rule of law to the Middle East. ACLI looks forward to Congress’ approval of the proposed United States–Oman Free Trade Agreement, and would be pleased to provide any further information that the subcommittee may request.

Statement of Ranchers-Cattlemen Action Legal Fund

The Ranchers-Cattlemen Action Legal Fund—United Stockgrowers of America (R-CALF USA) appreciates this opportunity to submit testimony on the U.S.–Oman Free Trade Agreement (Oman FTA). R-CALF USA is a non-profit association that represents over 18,000 U.S. cattle producers in 47 states across the nation. R-CALF USA’s mission is to represent the U.S. cattle industry in trade and marketing issues to ensure the continued profitability and viability of independent U.S. cattle producers. R-CALF USA’s membership consists primarily of cow/calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA.

R-CALF USA believes that U.S. cattle producers can compete and thrive in global markets if the rules that regulate those markets are fair. Today, U.S. exports of cattle and beef are thwarted by high import tariffs abroad, large subsidies to cattle and beef producers in other countries, and a failure to harmonize health and safety standards to allow for increased trade while protecting animal health and consumer safety. In addition, the highly perishable nature of our product demands the creation of special rules for cattle and beef trade that reflect the special needs of our producers and protect them from import surges and excess price volatility. While many of these issues may be most comprehensively addressed at a global level, progress can also be made through a strategic program of bilateral and regional negotiations.

The Oman FTA is one example of how such negotiations can be pursued to benefit the U.S. cattle and beef industries. Oman is not a significant producer or exporter of cattle and beef. Oman has a small domestic cattle herd of 335,000 head and produces about 4,160 metric tons of beef and veal a year.¹ Oman exports little beef to

¹ FAOSTAT Agricultural Production Database, Live Animals, Livestock Primary, and Agriculture & Food Trade, United Nations Food and Agriculture Organization, available on-line at <http://faostat.fao.org/>.

the world, and none to the U.S.² Though Oman is a net importer of beef, its market has so far been largely untapped by U.S. producers. Currently, Oman imports more than two-and-a-half times more beef and veal than it produces.³ All in all, Oman imported nearly \$22 million worth of bovine meat products from the world in 2004.⁴

Yet U.S. exports of beef and veal to the region make up a very small percent of those imports. Even before Oman closed its border to imports of U.S. beef after the discovery of a Canadian animal infected with BSE in Washington state in late 2003, U.S. shipments of beef and veal regularly accounted for less than 5 percent of all of Oman's beef and veal imports.⁵ If all bovine products are included, such as beef offal and beef preparations, the U.S. has accessed an even smaller portion of the Omani import market, less than 1 percent on average since 2000.⁶ Though Oman lifted its temporary BSE ban in April 2005, significant U.S. exports have yet to resume.

Under the Oman FTA, Oman's tariffs on all imports of beef products from the U.S. go to zero immediately. This will eliminate Oman's current tariff of 5 percent on imports of frozen beef, beef offal, bull semen, and prepared beef products from the United States. Under the FTA, Omani beef exports to the U.S. are also granted immediate duty-free access, as long as they enter under the general "all others" quota available to exporters of beef to the U.S. under U.S. WTO commitments. Some out-of-quota exports from Oman will also have duty-free access under an additional, dedicated quota of 15,000 kilograms if the general U.S. beef quota is exhausted. This dedicated quota will grow gradually until it allows unlimited imports from Oman in 10 years, and tariffs on any Omani beef entering out-of-quota will phase out over the same 10 years. Since Oman produces only a minimal amount of cattle and beef, the majority of which is currently consumed domestically within Oman, this additional market access is unlikely to have a significant impact on U.S. producers. The net impact of liberalization of cattle and beef trade under the FTA should be to allow U.S. producers to access more of the Omani beef market and build an important, strategic presence in the Middle Eastern region.

While R-CALF USA supports the Oman FTA, it is worth noting that the agreement does not incorporate the rules of origin for cattle and beef that R-CALF USA has sought in preferential trade agreements. R-CALF USA believes that preferential trade agreements should include a "born, raised and slaughtered" (BRS) rule of origin for cattle and beef to ensure that the benefits of the agreement accrue to product of the country, or countries, participating in the agreement. While the failure to include a BRS rule of origin is not especially significant in the Oman agreement, it could be critical in other ongoing FTA negotiations. Stronger rules of origin are particularly important in FTAs with countries where the risk of circumvention is substantial, and where the third countries that would potentially benefit from circumvention are themselves resisting entering into FTA negotiations directly with the United States. In these situations, rules of origin must be strengthened to prevent diluting the benefits of the agreement and to ensure that third countries are not allowed to benefit from preferential access to the U.S. market without providing reciprocal access to U.S. products.

R-CALF USA is encouraged by the fact that, along with the Oman FTA, an increasing number of newly proposed FTAs promise potentially substantial benefits for U.S. cattle producers. As trade in cattle and beef is liberalized through such agreements, it is important that, overall, the agreements achieve a balance between the size of new export markets opened for U.S. producers and the volume of potential foreign production given preferential access to the United States. It is critical that FTAs with countries that differ significantly from Oman—that have large domestic herds, produce significant quantities of beef, and/or are net exporters of cattle and beef—should be assessed on their own merits and may require longer phase outs of U.S. tariffs, backloading of expansion of tariff rate quotas (TRQs) and additional provisions to ensure that trade in cattle in beef will work for U.S. cattle producers.

While supporting the Oman FTA, R-CALF USA will continue to push for improvements in overall U.S. trade policies regarding cattle and beef and assess future trade agreements on a case-by-case basis. In particular, R-CALF USA believes U.S. trade negotiators should pursue a strategic program of bilateral, regional, and multilateral trade negotiations that:

²*Id.*

³*Id.*

⁴*Id.*

⁵U.S. export statistics from U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics.

⁶*Id.*

- Reduce global market distortions such as high import tariffs abroad, restrictive quotas, and large subsidies to cattle and beef producers in other countries;
- Upwardly harmonize health and safety standards to allow for increased trade while protecting animal health and consumer safety;
- Include a “born, raised and slaughtered” rule of origin for beef receiving preferential market access; and
- Create special rules for cattle and beef trade that reflect the highly perishable nature of our product and the special needs of our producers by protecting them from import surges and excess price volatility.

Until distortions in international cattle and beef markets are addressed comprehensively at a global level, the U.S. should pursue FTAs strategically to move toward the goals outlined above. Because the Oman FTA represents an important step in the right direction for U.S. cattle and beef producers, R-CALF USA urges its support.

Statement of the Chamber of Commerce of the United States of America

On behalf of the Chamber of Commerce of the United States of America (U.S. Chamber), we are pleased to present the House Committee on Ways and Means with this testimony regarding the U.S.–Oman Free Trade Agreement (FTA). International trade plays a vital part in the expansion of economic opportunities for American workers, farmers, and businesses. As the world’s largest business federation—representing more than three million businesses and organizations of every size, sector, and region—the U.S. Chamber views efforts to expand trade opportunities as a national priority.

As such, the U.S. Chamber has helped lead the business community’s effort to make the case for initiatives to expand trade, including global trade negotiating rounds under the purview of the World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade, as well as bilateral and regional FTAs. We do so because U.S. businesses have the expertise and resources to compete globally—if they are allowed to do so on equal terms with our competitors.

Trade, Growth, and Prosperity

America’s international trade in goods and services accounts for nearly a fifth of our country’s GDP. As such, it is difficult to exaggerate the importance of the Congressional vote in 2002 to renew Presidential Trade Promotion Authority (TPA). As we predicted, this action by Congress helped reinvigorate the international trade agenda and has given a much-needed shot in the arm to American businesses, workers, and consumers. The leadership demonstrated by the many members of the House Committee on Ways and Means was critical to this progress.

The evidence is overwhelming that trade is a powerful tool to strengthen the U.S. economy. As the Office of the U.S. Trade Representative has pointed out, the combined effects of the North American Free Trade Agreement (NAFTA) and the Uruguay Round trade agreement that created the WTO have increased U.S. national income by \$40 billion to \$60 billion a year. In addition, the lower prices for imported goods generated by these two agreements mean that the average American family of four has gained between \$1,000 and \$1,300 in spending power—an impressive tax cut, indeed. It is also widely recognized that jobs in the export sector pay a premium of approximately 15% on average.

When TPA lapsed in 1994, the international trade agenda lost momentum. The Uruguay Round was implemented, but no new round of global trade negotiations was launched as the 1990s wore on. Moreover, the United States was compelled to sit on the sidelines while other countries and trade blocs negotiated numerous preferential trade agreements that put American companies at a competitive disadvantage. As we pointed out during our 2001–2002 advocacy campaign for approval of TPA, the United States was party to just three of the roughly 150 free trade agreements in force between nations at that time. The passage of TPA allowed the United States to demonstrate once again the leadership in the international arena that has seen trade emerge as a primary engine of growth and development since 1945.

General Benefits of Free Trade Agreements

The FTAs the United States has negotiated since 2002 represent an ambitious and comprehensive approach to opening markets one country or region at a time. While the U.S. Chamber is strongly backing the Doha Development Agenda negotiations for a new global trade-expansion agreement, we believe it is entirely appro-

appropriate to leverage both the breadth of the DDA and the depth of FTAs. In this fashion, U.S. business can attain important new market opportunities in the years ahead.

As noted above, the United States is an extraordinarily open economy. Consider how U.S. tariffs compare with those of countries where FTA negotiations have recently been concluded, are underway, or were recently proposed. According to the World Bank, the United States has a weighted average tariff rate of less than 2%. By contrast, the weighted average tariff of Panama is 7%, Thailand 8%, Peru 9%, Colombia and Korea 10%, and Oman 14%.

We made this point repeatedly in 2004–2005 during our advocacy campaign for Congressional approval of the U.S.–Dominican Republic–Central America Free Trade Agreement (DR–CAFTA). The United States eliminated tariffs on nearly all imports from Central America and the Caribbean in 1983 through the Caribbean Basin Initiative. In 2003, 77% of Central American and Dominican industrial products (including 99% of non-apparel industrial products) and 99.5% of agricultural products entered the United States duty-free. On the other hand, U.S. consumer, industrial, and agricultural exports to these countries faced average tariffs in the 7–11% range. As we often pointed out during the DR–CAFTA campaign, this was like going into a basketball game 11 points down from the tip off.

An academic observer may regard as insignificant the resulting 12% price disadvantage that follows from these lopsided tariffs (to cite the difference in average tariffs between the United States and Oman). However, business men and women face narrower margins than these every day, very often with the success or failure of their firm on the line. Best of all, a free trade agreement can fix this imbalance once and for all.

The way free trade agreements level the playing field for U.S. workers, farmers, and business is borne out in the results attained by America's FTAs. For example, the U.S.–Chile Free Trade Agreement was implemented on January 1, 2004, and immediately began to pay dividends for American businesses and farmers. U.S. exports to Chile surged by 33% in 2004, and by a blistering 85% in 2005. In fact, U.S. exports to Chile have risen nearly two-and-a-half fold in the agreement's first two years of implementation, reaching \$6.7 billion in 2005.

Other recent FTAs have borne similar fruits. Trade with Jordan has risen four-fold since the U.S.–Jordan Free Trade Agreement was signed in 2000, fostering the creation of tens of thousands of jobs in a country that is a close ally of the United States. The U.S. trade surplus with Singapore nearly quadrupled over the first two years of implementation of the U.S.–Singapore Free Trade Agreement (2004–2005), reaching \$5.5 billion last year. And over the 12 years since implementation of the North American Free Trade Agreement (NAFTA), by far the largest and most important of these agreements, U.S. exports to Canada and Mexico have surged by \$189 billion (to a total of \$331 billion in 2005), sustaining literally millions of new jobs and businesses.

One of the most compelling rationales for these FTAs is the benefit they afford America's smaller companies. America's small and medium-sized companies are leading the charge into foreign markets, accounting for more than three-quarters of exporting firms to markets which have recently completed FTAs or are in the process of doing so. As a corollary, it suggests how smaller businesses stand to gain disproportionately from the market-opening measures of a free trade agreement:

Beyond the highly successful track record of America's FTAs as measured in terms of new commerce, the U.S. Chamber and its members also support free trade agreements because they promote the rule of law in emerging markets around the globe. This is accomplished through the creation of a more transparent rules-based business environment. For example, FTAs include provisions to guarantee transparency in government procurement, with competitive bidding for contracts and extensive information made available on the Internet—not just to well-connected insiders.

FTAs also create a level playing field in the regulatory environment for services, including telecoms, insurance, and express shipments. In addition, recent FTAs have strengthened legal protections for intellectual property rights in the region, as well as the actual enforcement of these rights.

The Agreement with Oman

On January 19, 2006, the United States and Oman signed a free trade agreement. With bilateral trade surpassing \$1.1 billion in 2005, the FTA is of particular interest to U.S. exporters of telecommunications equipment, oil and gas equipment, medical equipment, and electrical and manufacturing equipment. As noted above, Oman has a weighted average tariff of 14%, presenting U.S. exporters with relatively high bar-

riers to market access; the FTA will eliminate all tariffs on industrial and consumer products immediately upon entry into force.

The FTA also addresses agriculture products. Under the agreement, U.S. agriculture exports in 87% of the agriculture tariff lines will be given immediate duty-free access to the Omani market. All remaining tariffs on agricultural products between the two countries will be phased out over the next ten years.

From a services standpoint, this agreement will allow additional opportunities for U.S. companies in the banking, insurance and securities sectors. The agreement will allow for U.S. financial services companies to create subsidiaries in Oman and enter into joint ventures with Omani companies. The agreement will also provide for a framework which ensures transparency in these sectors and assurances to U.S. investors.

From a regional standpoint, the U.S.–Oman FTA is an important strategic step in the overall U.S. foreign policy in the Middle East. The Bush Administration has announced its intention to create a Middle East Free Trade Area by 2013. The United States already has FTAs with Bahrain, Israel, Jordan, and Morocco and is in negotiations with the United Arab Emirates. Congressional approval of this FTA is a crucial step in attaining the MEFTA goal. Passage of this comprehensive agreement will set a high standard for future FTAs with Gulf Cooperation Council member countries and other countries in the region.

The U.S. Chamber looks forward to leveraging this agreement for our member companies and the broader U.S. business community. The Chamber has an accredited affiliate in Oman—the Muscat-American Business Council—which we intend to work with as a means of fostering increased bilateral trade and investment between the two countries—once this agreement is entered into force. The existence of this business council is evidence of the interest by both the Omani and American business communities of furthering trade, investment and commercial ties.

Conclusion

Trade expansion is an essential ingredient in any recipe for economic success in the 21st century. If U.S. companies, workers, and consumers are to thrive amidst rising competition, new trade agreements such as the DDA and the various free trade agreements cited above will be critical. In the end, U.S. business is quite capable of competing and winning against anyone in the world when markets are open and the playing field is level.

The U.S. Chamber appreciates the leadership of the House Committee on Ways and Means in advancing the U.S. international trade agenda, and we applaud your efforts to move forward with the U.S.–Oman FTA. We stand ready to work with you on this agreement and other challenges in the year ahead. Thank you.

