2006

United States Employment Impact Review of the United States-Oman Free Trade Agreement

U.S. Department of Labor

United States Employment Impact Review of the United States-Oman Free Trade Agreement

Abstract
[Excerpt] This U.S. employment impact review was prepared pursuant to section 2102(c)(5) of the Trade Act of 2002. Section 2102(c)(5) requires the President to review and report to the Congress on the impact of future trade agreements on U.S. employment, including labor markets. This review describes the contents of the United States-Oman Free Trade Agreement (FTA), including a summary of the labor provisions of the FTA, and assesses the potential economic and employment effects of the FTA.

Keywords
U.S.-Oman Free Trade Agreement, labor provisions, employment, labor markets

Comments

Suggested Citation

U.S. Department of Labor. (2006). *United States employment impact review of the United States-Oman Free Trade Agreement*. Washington, DC: Author.

United States Employment Impact Review of the United States-Oman Free Trade Agreement

Pursuant to section 2102(c)(5) of the Trade Act of 2002, the United States Trade Representative, in consultation with the Secretary of Labor, provides the following United States Employment Impact Review of the United States-Oman Free Trade Agreement. The report was prepared by the U.S. Department of Labor.

Table of Contents

EXECUTIVE SUMMARY……………………………………………………………….3

I. Introduction: Overview of the United States Employment Impact Review Process…………………………………………………………………4

- A. Scope and Outline of the United States Employment Impact Review……4
- B. Legislative Mandate…………………………………………………………4
- C. Public Outreach and Comments……………………………………………...5
    - 1. Responses to Federal Register Notice……………………………..5
    - 2. Reports of the Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC) and Other Advisory Committees...…….5

II. Background and Contents of the FTA…………………………………….…6

- A. Bilateral Economic Setting…………………………………………………..7
    - 1. Population and the Economy…………………………………...7
    - 2. Labor Force…………………………………………………………..7
        - a. U.S. Labor Force………………………………………..7
        - b. Oman's Labor Force…...…………………………………8
    - 3. International Trade in Goods…………………………………...9
        - a. Global and Bilateral Merchandise Trade..………………...9
        - b. U.S. Merchandise Exports to Oman...……………………9
        - c. U.S. Merchandise Imports from Oman.....………………10
    - 4. International Trade in Services……………………………..10
    - 5. Foreign Direct Investment (FDI) ….……………………………10
- B. Barriers to Bilateral Trade Prior to the FTA..……………………………11
    - 1. Trade in Goods…………………………………………………...11
    - 2. Trade in Services…………………………………………………13
- C. Major Elements of the FTA…………………………………………...13

III. Potential Economic and Employment Effects of the FTA……………………….13

IV. The Labor Chapter of the FTA…………………………………………………..18

A. Summary of the Labor Chapter……………………………………….....18

B. Labor Cooperation………………………………………………………20

C. Administration of the Agreement.……………………………………....21

D. Dispute Settlement……………………………………………………....21

Tables………………………………………………………………………………….22

Table II.1: Leading 5-digit NAICS-based U.S. Exports to Oman, 2001-2005…..23

Table II.2: Leading 5-digit NAICS-based U.S. Imports from Oman, 2001-2005…………………………………………………………………..24

Table III.1: U.S. Exports to Oman by NAICS-based Sector and Subsector, 2001-2005…………………………………………………………………..25

Table III.2: U.S. Imports from Oman by NAICS-based Sector and Subsector, 2001-2005…………………………………………………………………..26

Table III.3: Customs Value, Dutiable Value, Calculated Duties, and Average Rate of Duty on U.S. Imports from Oman by NAICS-based Subsector, 2005………..27

Executive Summary

This U.S. employment impact review was prepared pursuant to section 2102(c)(5) of the Trade Act of 2002. Section 2102(c)(5) requires the President to review and report to the Congress on the impact of future trade agreements on U.S. employment, including labor markets. This review describes the contents of the United States-Oman Free Trade Agreement (FTA), including a summary of the labor provisions of the FTA, and assesses the potential economic and employment effects of the FTA.

The major finding of this review is that the United States-Oman FTA is expected to have a negligible effect on employment in the United States. This finding regarding the absence of any significant domestic employment effects from the FTA is attributable to, among other factors, the relatively small volume of bilateral trade between the two countries, the fact that more than 40 percent of all U.S. imports from Oman already enter the United States duty-free, provisions in the FTA for the gradual removal of U.S. tariffs on import-sensitive goods from Oman over a ten-year period, and safeguards contained in the FTA to attenuate the effects of any increases in imports that might be a substantial cause of serious injury to a domestic industry.

When the United States-Oman FTA enters into force, all U.S. industrial and consumer goods, except for certain textile and apparel goods, currently traded with Oman will gain immediate duty-free access to Oman's markets and tariffs on all remaining goods will be eliminated within ten years. U.S. service providers will also gain greater market access. As U.S. goods and service-producing industries become more competitive in Omani markets, it is expected that U.S. merchandise and services exports to Oman will increase. This especially should be the case for the current leading U.S. merchandise exports to Oman such as aerospace products and parts, automobiles and light duty motor vehicles, and mining and oil and gas field machinery; and U.S. services exports such as financial and other business related services. New U.S. export opportunities may also arise in the areas of manufacturing, services, and agriculture as the Omani market—though extremely small—becomes more open.

I. Introduction: Overview of the United States Employment Impact Review Process

A. Scope and Outline of the United States Employment Review

This employment impact review consists of an introduction and three additional parts. Part II discusses the background and setting of the United States-Oman Free Trade Agreement (FTA), including the bilateral economic setting, current barriers to bilateral trade, and the major elements of the FTA. Part III considers the potential economic and employment effects in the United States of the FTA. Part IV describes the Labor Chapter of the FTA.

B. Legislative Mandate

This review of the employment impact of the United States-Oman FTA is conducted pursuant to section 2102(c)(5) of the Trade Act of 2002 ("Trade Act") (Pub. L. No. 107-210). Section 2102(c)(5) provides that the President shall:

> review the impact of future trade agreements on United States employment, including labor markets, modeled after Executive Order 13141 to the extent appropriate in establishing procedures and criteria, report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on such review, and make that report available to the public.

The President, by Executive Order 13277 (67 Fed. Reg. 70305 (Nov. 21, 2002)), assigned the responsibility for conducting reviews under section 2102(c)(5) to the United States Trade Representative (USTR), who delegated such responsibility to the Secretary of Labor with the requirement that reviews be coordinated through the Trade Policy Staff Committee (67 Fed. Reg. 71606 (Dec. 2, 2002)).

The employment impact review is modeled, to the extent appropriate, after Executive Order 13141 (64 Fed. Reg. 63169 (Nov. 18, 1999)) on the environmental review of trade agreements; the guidelines developed for the implementation of that order have been adapted for use in this employment review.[1]

[1] Executive Order 13141, on Environmental Review of Trade Agreements, was signed on November 16, 1999. The Order commits the U.S. government to a policy of careful assessment and consideration of the environmental impacts of trade agreements, including factoring environmental considerations into the development of its trade negotiating objectives. The Order requires written environmental impact reviews of free trade agreements and that such reviews be made available to the public in final form. Also, the Order directs USTR and the Council on Environmental Quality (CEQ) to oversee the implementation of the Order, including the development of procedures or guidelines pursuant to the Order. In December 2000, USTR and CEQ published *Guidelines for Implementation of Executive Order 13141: Environmental Review of Trade Agreements*. The Order and Guidelines are available on the USTR web site at: http://www.ustr.gov/Trade_Sectors/Environment/Guidelines_for_Environmental_Reviews/Section_Index.html. USTR and CEQ jointly oversee implementation of the Order and Guidelines, while USTR, through the Trade Policy Staff Committee (TPSC), is responsible for conducting individual environmental reviews.

C. Public Outreach and Comments

1. Responses to Federal Register Notice

The U.S. Department of Labor and USTR jointly issued a notice on December 21, 2004 in the *Federal Register* announcing the initiation of a review of the potential impact on U.S. employment of the proposed United States-Oman FTA, including the effects on domestic labor markets, and requesting written public comment on the review and provision of information on potentially significant sectoral or regional employment impacts (both positive and negative) in the United States, as well as other likely labor market effects of the FTA.[2]

Two submissions were received in response to the notice.

- The American Dehydrated Onion and Garlic Association (ADOGA) opposed any tariff reduction on U.S. imports of dehydrated onion and garlic under the FTA; ADOGA has reiterated the same concerns in each of their submissions on the U.S. employment impact of free trade agreements with Singapore, Morocco, Australia, the Central American countries and the Dominican Republic, and Bahrain. ADOGA argued that duty-free treatment of dehydrated onion and garlic from Oman would have a negative impact on their industry, its 4,000 employees, their families, and the economically distressed small rural Western communities in which they operate that offer few alternative employment opportunities.

- The National Council of Textile Organizations, the national trade association representing all sectors of the U.S. textile industry through its Fiber, Yarn, Fabric and Home Furnishings, and Industry Support Councils, argued that a solid yarn forward rule of origin is necessary for this agreement to be mutually beneficial to the United States and Oman. They also noted that the cumulative effect of including tariff preference levels and other harmful exceptions to the rules of origin in other FTAs would result in large quantities of finished goods being exported to the U.S. market.

2. Reports of the Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC) and Other Advisory Committees

Section 2104(e) of the Trade Act requires that trade advisory committees provide the President, USTR, and Congress with reports under section 135(e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement. The advisory committee reports all were submitted on November 15, 2005, and are available on the USTR web site.[3]

The Advisory Committee on Trade Policy and Negotiations (ACTPN) and virtually all of the other trade advisory committees expressed the view that the United States-Oman FTA

[2] See 69 Fed. Reg. 76513-76514 (December 21, 2004).
[3] See http://www.ustr.gov/Trade_Agreements/Bilateral/Oman_FTA/Reports/Section_Index.html.

is in the economic interest of the United States and stated their support for it. The unanimous finding of the ACTPN was that the FTA "is in the best economic interest of the United States" and should "be adopted into law as quickly as possible."

Trade advisory committees representing sectors such as consumer goods, services, information technology, intellectual property, small business, and agriculture also expressed broad support for the FTA. The senior level Agricultural Policy Advisory Committee supported the FTA, finding that it "will provide new opportunities for U.S. beef, dairy products, select poultry products, dried fruits and nuts, soybeans and soybean meal."

The members of the Committee on Textiles and Clothing (ITAC-13) were unable to make a unified statement in support of or in opposition to the FTA. Textile industry members were supportive of the rules of origin, but expressed concerns about tariff preference levels for the use of third-country components in apparel, while apparel industry members said that those provisions were necessary because the rules of origin are too restrictive.

The Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC) argued that the FTA would lead to a deteriorating U.S. trade balance and the loss of U.S. jobs, citing its views of NAFTA. The LAC noted that "it is possible that the agreement will result in a deteriorating trade balance in some sectors, including sensitive sectors such as apparel." The LAC also expressed concern that dramatically lower costs of energy in Oman could provide "enormous opportunities for energy-dependent industries to use the country as an export platform." Reiterating concerns raised regarding other free trade agreements with Chile, Singapore, Australia, Morocco, the Central American countries and the Dominican Republic, and Bahrain, the LAC expressed concerns about the FTA's labor provisions that only commit the Parties to enforce their own labor laws. The LAC argued that the FTA's dispute resolution procedures provide for capped penalties lower than those for other violations of the FTA, with little punitive or deterrent effect for violations of the Labor Chapter. The LAC also opined that the FTA's rules of origin and safeguard provisions would invite circumvention by producers and fail to protect workers from import surges that may result, and that the FTA provisions on procurement and services would constrain the ability of the U.S. Government to regulate in the public interest and provide public services.

II. Background and Contents of the FTA

Oman is a small, upper-middle-income country on the Arabian Sea, the Gulf of Oman, and the Persian Gulf bordering the United Arab Emirates, Saudi Arabia, and Yemen. Oman has declining oil and gas reserves and a substantial trade surplus.

The United States-Oman FTA will not only strengthen bilateral ties, but also advance the U.S. goal to have a Middle East Free Trade Area by 2013. While the economic effects of the FTA on the United States are expected to be negligible, especially due to the small volume of existing trade between the United States and Oman, the FTA will serve, over time, to reinforce the process of economic reform and development in Oman.

The FTA will create some new opportunities for U.S. workers, farmers, businesses, and consumers by eliminating current barriers to trade with Oman. One hundred percent of consumer and industrial products that are currently traded, except for certain textile and apparel goods, will become duty-free immediately upon entry into force of the FTA. In addition, Oman and the United States will provide immediate duty-free access for U.S. agricultural exports in 87 percent of its agricultural tariff lines and will phase out within ten years tariffs on the remaining products. Several key U.S. export sectors that are likely to benefit include machinery, automobiles, optical and medical instruments, and electrical machinery, and agricultural products such as vegetable oils, and sugars, sweeteners, and beverage bases. When the FTA enters into force, U.S. service providers will also gain greater access to the Omani market.

A. Bilateral Economic Setting

1. Population and the Economy

Oman's population in 2004 was 2.4 million (or 0.8 percent of that of the United States). Approximately one-quarter of the population are expatriates,[4] most of whom are guest workers from India, Bangladesh, Sri Lanka, and the Philippines. With a land area slightly smaller than Kansas, Oman's gross domestic product (GDP) was $21.7 billion in 2003, approximately 0.2 percent of U.S. 2003 GDP of $10.9 trillion.[5] Oman's economy is comparable in size to North Dakota, which had a gross state product of $21.6 billion in 2003. Oman's gross national income (GNI) per capita in 2003 was $7,890, approximately 20.8 percent of U.S. per capita GNI of $37,870.

2. Labor Force

a. U.S. Labor Force

In 2005, the civilian U.S. labor force totaled 149 million persons; approximately 46 percent (69 million persons) of the labor force was female.[6] Total employment was 142 million in 2005. The service-producing industries are the major source of employment in the United States. In 2005, service-producing industries accounted for 79 percent of total U.S. employment. Other major sectors of employment include manufacturing, which accounted for 12 percent of total U.S. employment, mining and construction, which accounted for about 8 percent, and agriculture, which accounted for about 2 percent. On an occupational basis, approximately 35 percent of all the employed persons were in management, professional, and related occupations; other major occupational categories

---

[4] See "Final Results of the Census 2003," which is available from http://www.moneoman.gov.om/.
[5] The most recent year for which GDP data is available for Oman is 2003. See World Bank, World Development Indicators database, available at: http://devdata.worldbank.org/data-query/.
[6] The labor force consists of employed and unemployed persons in the civilian non-institutional population age 16 and older. See *Employment and Earnings* 53:1 (January 2006).

of U.S. employment were sales and office occupations (25 percent of total employment) and service occupations (16 percent of total employment).

The unemployment rate in the United States was 5.1 percent in 2005. The majority of the unemployed in 2005 were those who had lost their jobs or had completed temporary employment (48 percent). Reentrants to the labor force made up 31 percent of the unemployed in 2005, job leavers accounted for 12 percent, and new entrants represented 9 percent.

b. Oman's Labor Force

In 2003, Oman's labor force consisted of approximately 873,000 persons, of whom 737,000 were employed; 49.3 percent (431,000) of the labor force and 57.6 percent (424,000) of the employed population were non-Omani.[7] Females made up about 15.4 percent (114,000) of total employment in 2003.[8] Employment of Omani and non-Omani workers is concentrated in different sectors. The major sectors of employment in 2003 among Omani workers were: public administration and defense and compulsory social security (46.3 percent); education (12.5 percent); and wholesale and retail trade (6.9 percent). The top sectors of employment among non-Omani workers were: construction (25.5 percent); wholesale and retail trade (15.4 percent); household services activities (12.1 percent); manufacturing (10.8); and agriculture (10 percent).[9] The occupational distribution of Omani and non-Omani workers also differed, but the contrast was not as significant as for employment by industry. The leading occupations in 2003 for employed Omani workers were: service workers (14.3 percent); engineers (13.6 percent); scientific, technical and human subjects technicians (13.3 percent); and clerical workers (10.4 percent). The occupations of 20.5 percent of employed Omani workers could not be classified. Among employed non-Omani workers, the major occupations were: engineers (34.7 percent); service workers (21.7); agricultural workers (10.5 percent); and sales workers (7.8 percent). On the industrial basis used in international comparisons, Oman's employment in 2003 was distributed across industrial sectors as follows: 7.9 percent in agricultural, 27.4 percent in industry, and 62.8 percent in services.[10]

[7] Labor market statistics are from the Sultanate of Oman, Ministry of National Economy publications, "Selected Data and Indicators from the Results of General Populations, Housing Units and Establishment Censuses (1993 – 2003)" and "Final Results of the Census 2003," which are available from http://www.moneoman.gov.om/. The most recent year for which data is available is 2003.

[8] Women represented 18.4 percent of the labor force in 2003. This is nearly double women's representation in 1993, when 9.7 percent of the labor force was female. When only Omani workers are considered, women composed 22.2 percent of the workforce in 2003.

[9] Only seventeen percent of Omani workers were employed in these five sectors in 2003.

[10] Calculations based on data from Sultanate of Oman, Ministry of National Economy "Final Results of the Census 2003." Figures do not sum to 100 percent because the categories "extra-territorial organizations and bodies" (0.1 percent) and "occupation not stated or not sufficiently defined" (1.9 percent) were not included in any of the three industrial sector categories.

The unemployment rate in Oman was 15.7 percent in 2003.[11] Among Omani workers, the unemployment rate was 29.4 percent; it was 1.6 percent among non-Omani workers.

3. *International Trade in Goods*

a. Global and Bilateral Merchandise Trade

Total U.S. merchandise trade with the world amounted to $2.3 trillion ($818.8 billion in merchandise exports and $1,525.5 billion in merchandise imports) in 2004.[12] Based on available statistics from the World Trade Organization (WTO), the United States was the world's second largest merchandise exporter (behind Germany) and the number one merchandise importer in 2004.[13]

Oman's total merchandise trade with the world amounted to $22.2 billion ($13.3 billion in exports and $8.9 billion in imports) in 2004. Oman's imports consisted primarily of machinery and transportation equipment, manufactured goods, food, livestock, and lubricants, while its exports consisted primarily of petroleum and petroleum products, fish, metals, and textiles.

Based on official statistics from the U.S. Department of Commerce, U.S. bilateral trade with Oman represents a very small share of total U.S. trade and accounts for 0.07 percent ($561.8 million) of all U.S. domestic merchandise exports to the world and 0.03 percent ($484.2 million) of all U.S. merchandise imports for consumption from the world in 2005. Oman ranked as the 75th largest U.S. domestic export market and the 84th largest source for U.S. imports for consumption in 2005. Oman's primary export partners are China, South Korea, Japan, Thailand, and the United Arab Emirates; and its major import partners are the United Arab Emirates, Japan, the United Kingdom, Italy, Germany, the United States, and India.

b. U.S. Merchandise Exports to Oman

U.S. domestic merchandise exports to Oman amounted to $561.8 million in 2005, up from $314.3 million in 2004. Over the past five years, 93.7 percent of total U.S. exports to Oman have been from the manufacturing sector. In 2005, the leading ten five-digit North American Industry Classification System (NAICS) industries, which accounted for 78.2 percent of total U.S. exports to Oman, covered a variety of products, including aerospace products and parts; automobiles and light duty motor vehicles, including chassis; mining and oil and gas field machinery; articles under special classification

---

[11] Calculations based on the 2003 labor force estimate reported the Sultanate of Oman, Ministry of National Economy publication, "Selected Data and Indicators from the Results of General Populations, Housing Units and Establishment Censuses (1993 – 2003)," and the 2003 employment estimate reported in Sultanate of Oman, Ministry of National Economy publication "Final Results of the Census 2003."
[12] Data are from the World Trade Organization (WTO) and are based on total merchandise trade.
[13] Trade rankings are compiled by the World Trade Organization (WTO); see *International Trade Statistics 2005* (Geneva: World Trade Organization, 2005), Tables I.5, p. 21.

provisions;[14] navigational, measuring, electromedical, and control instruments; engines, turbines, and power transmission equipment; pumps and compressors; construction machinery; other basic inorganic chemicals; and other fabricated metal products (see Table II.1).

c. U.S. Merchandise Imports from Oman

U.S. merchandise imports for consumption from Oman amounted to $484.2 million in 2005, up from $422.5 million in 2004. The leading six five-digit import-based NAICS industries, covering oil and gas, petroleum refinery products, jewelry and silverware, women's and girls' apparel, men's and boys' apparel, and iron and steel and ferroalloy, accounted for 95 percent of all imports from Oman (see Table II.2).

4. International Trade in Services

The United States was the world's number one commercial services exporter ($318.3 billion) and number one commercial services importer ($260.0 billion) in 2004, based on data from the WTO.[15] By comparison, Oman's exports of commercial services to the world amounted to $580 million and its imports of commercial services from the world totaled $2.6 billion in 2004.[16]

The United States does not publish statistics on bilateral services trade with Oman.

5. Foreign Direct Investment (FDI)

U.S. foreign direct investment (FDI) in Oman was $438 million (on a historical basis) in 2004, up from $358 million in 2003. Omani foreign direct investment in the United States was negligible (on a historical cost basis) in 2004, and negative $1 million in 2003.[17]

In 2004, Oman's inward stock of FDI was estimated to be $3.4 billion and its outward stock of FDI was estimated to be $32 million.[18]

---

[14] Primarily exports of low-value shipments, articles imported for repairs, returned goods, and articles donated to charity.

[15] Trade rankings, which are based on a balance of payments definition, are compiled by the World Trade Organization (WTO); see *International Trade Statistics 2005*, Table I.7 (Geneva: World Trade Organization, 2005), p. 23.

[16] See *International Trade Statistics 2005*, Tables A8 and A9 (Geneva: World Trade Organization, 2005), pp. 207 and 210.

[17] See *Survey of Current Business* (September 2005), pp. 112 and 153. This source defines foreign direct investment position in the United States as the value of foreign direct investors' equity in, and net outstanding loans to, their U.S. affiliates. The position may be viewed as the foreign direct investors' net financial claim on their U.S. affiliates whether in the form of equity or debt.

[18] United Nations Conference on Trade and Development, *World Investment Report 2005* (New York and Geneva: United Nations, 2005), p. 310.

B. Barriers to Bilateral Trade Prior to the FTA

1. Trade in Goods

Oman is a member of the Gulf Cooperation Council (GCC), which is an economic and political-coordination forum made up of Oman and five other member-states (Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates). In January 2003, the six GCC members implemented a customs union, unifying tariffs throughout the GCC; the GCC has set 2010 as the target date for adoption of a single currency. The GCC cannot impose trade policies upon member states and each is free to pass and enforce its own trade laws. Oman maintains the five percent GCC common external tariff on most products, except pork and alcohol products (100 percent), cigarettes above the 820 count (100 percent), edible oils sold in retail packs (25 percent), and a few protective duties on a limited number of products (including dried lemon-bananas, dates, and ghee).[19] Except for food products, an authentication procedure is not required if the importing company has an existing agency agreement with a U.S. exporter.

Only Omani nationals and companies of WTO members that are registered as importers are permitted to submit documents to clear shipments through customs. In Oman, companies that import goods must be registered with the Ministry of Commerce and Industry, but are no longer required to be 51 percent Omani-owned. Importation of certain classes of goods, such as alcohol, livestock, poultry and their respective products, firearms, narcotics, and explosives requires a special license, and media imports are subject to censorship.

Oman implemented the Customs Valuation Agreement when it joined the WTO in 2000 and in 2005 was still working on further enhancing its customs valuation systems. Oman had not yet revised its shelf-life requirements to meet its WTO commitments. In 2000, Oman announced by Royal Decree its intention to adopt internationally recognized Codex standards for the labeling of prepackaged food.

For government procurement, Oman provides a 10 percent price preference to tenders that contain a high content of local goods or services, including direct employment of Omanis. In practice, it is difficult for a foreign firm to sell directly to the government without an Omani agent identifying and bidding on tender opportunities. As part of its WTO accession, Oman has committed to begin negotiations to join the WTO Agreement on Government Procurement.

The United States maintains a transparent and largely open trade regime, although in a few important areas it maintains some market access and other barriers.[20] The WTO Agreement obligates the United States to accord "most favored nation/normal trade

---

[19] The discussion that follows on Oman is based upon *Foreign Trade Barriers: Oman* (Office of the U.S. Trade Representative, 2005), pp.458-461.

[20] World Trade Organization, *Trade Policy Review United States, Report by the Secretariat*, WT/TPR/S/126 (Geneva, December 2003), paragraph 1, p. 32.

relations" (MFN/NTR) tariff treatment to WTO members.[21] Most imports either enter the United States duty free or at low tariffs; all tariff lines except two are subject to tariff bindings. In 2002, the average MFN/NTR applied tariff was just over 5 percent although the average for agricultural products (based on the WTO definition) was nearly twice as high. Seven percent of all applied tariffs exceeded 15 percent; these tended to be "sensitive" products, such as tobacco, certain dairy products, peanuts, cotton fibers, certain footwear, textiles, and clothing products.[22]

Oman is currently a beneficiary developing country under the U.S. Generalized System of Preferences (GSP) program, which provides duty-free treatment for U.S. imports of eligible articles from designated beneficiary developing countries that meet certain statutory criteria.[23] In 2005, $59.0 million in U.S. imports for consumption from Oman (12 percent of all U.S. imports for consumption from Oman) entered the United States duty-free under the GSP program. The major Omani products that benefited from duty-free entry under the GSP program in 2005 were $51.3 million of precious metal (other than silver) articles of jewelry (otherwise subject to a tariff of 5.5 percent) and $4.9 million of gold necklaces and neck chains other than of rope or mixed links (otherwise subject to a tariff of 5.5 percent).

Of the $484.2 million in total U.S. imports for consumption from Oman in 2005, $277.6 million (57.3 percent) were subject to U.S. import duties with calculated duties of $8.8 million duties at an average rate of duty of 3.2 percent.[24] Eight eight-digit Harmonized Tariff Schedule (HTS) tariff items (five textile and apparel items and three petroleum and fuel oils) accounted for $267.7 million or 96.4 percent of the value of all U.S. imports from Oman subject to duty in 2005. U.S. tariff rates on these eight eight-digit tariff line items ranged from 0.1 percent (on $38.9 million in distillate and residual fuel oil derived from petroleum oils or oil of bituminous minerals, testing under 25 degrees API) to 16.6 percent (on $18.3 million in men's or boys' cotton trousers or shorts and $14.4 million in women's or girls' cotton trousers, breeches, or shorts); specifically, three items with a total dutiable value of $221.8 million had duty rates between zero and five percent (two petroleum oils and distillate and residual fuel oils), one textile and apparel item with a dutiable value of $6.5 million had duty rates between five and ten percent, one textile and apparel item with a dutiable value of $3.3 million had duty rates between ten and fifteen percent, and three textile and apparel items with a total dutiable value of $36.1 million had duty rates between fifteen and twenty percent.

In 2005, the top five (on an eight-digit HTS tariff line basis) U.S. imports from Oman that received MFN/NTR duty-free treatment accounted for $101.9 million and included: petroleum coke ($38.4 million); petroleum gases ($26.4 million); liquefied natural gas

[21] U.S. law uses the term "normal trade relations" (NTR) instead of the term "most favored nation" (MFN) to describe the principle of nondiscriminatory treatment of trading partners. The WTO Agreement uses the term MFN.
[22] World Trade Organization, *Trade Policy Review United States, Report by the Secretariat*, WT/TPR/S/126 (Geneva, December 2003), paragraph 4, p. 32.
[23] See title V of the Trade Act of 1974, as amended.
[24] Based on the dutiable value and calculated duties of U.S. imports from Oman, compiled from the official statistics of the U.S. Department of Commerce, Bureau of the Census.

($14.1 million); liquefied propane ($12.9 million); and welded iron or nonalloy steel ($10.1 million).

2. Trade in Services

Under its WTO commitments, Oman permits up to 70 percent foreign ownership in most services sectors and the cross-border supply of most services. None of the companies listed on the Omani stock exchange is 100 percent foreign-owned. In Oman, foreigners are permitted to purchase shares on the Muscat Securities Market (MSM). As of midyear 2004, approximately 17.9 percent of the MSM's total market capitalization was foreign-owned.

The U.S. services and investment regimes are generally open,[25] with some exceptions. In the maritime sector, cabotage laws reserve domestic routes to U.S. operators and provide government support for U.S.-flag vessels. The United States restricts foreign ownership and control of U.S. air transport carriers, and the provision of domestic air service is restricted to U.S. carriers. The United States also restricts foreign investment in telecommunication services, radio broadcast, atomic energy, and energy pipelines. Finally, under the Exon-Florio Amendment to the Defense Production Act, the President has the authority to suspend or prohibit foreign mergers, acquisitions, and takeovers, where there is credible information of a threat to national security.

C. Major Elements of the FTA

The FTA consists of a Preamble, twenty-two chapters and various annexes, letters, and joint statements. The chapters are: Establishment of Free Trade Area and Definitions; Market Access; Textiles and Apparel; Rules of Origin; Customs Administration; Sanitary and Phytosanitary Measures; Technical Barriers to Trade; Safeguards; Government Procurement; Investment; Cross-Border Trade in Services; Financial Services; Telecommunications; Electronic Commerce; Intellectual Property Rights; Labor; Environment; Transparency; Administration of the Agreement; Dispute Settlement; Exceptions; and Final Provisions. There are three annexes that include the non-conforming measures in services, investment, and financial services. The complete text of the FTA and summary fact sheets are available on USTR's web site.[26]

III. Potential Economic and Employment Effects of the FTA

The focus of this review is on the potential impact of the United States-Oman FTA on U.S. employment and labor markets. It is based on a qualitative assessment of the likely economic effects of removing barriers to trade between the Parties, given the current structure and volume of United States-Oman trade. A review of the economic literature

---

[25] See *WTO Trade Policy Review: United States, September 2001* at http://www.wto.org/english/tratop_e/tpr_e/tp172_e.htm, and *Statement on Foreign Direct Investment Policy* (U.S. Department of Treasury, December 26, 1991).
[26] See http://www.ustr.gov/Trade_Agreements/Bilateral/Oman_FTA/Section_Index.html.

failed to reveal any publicly available quantitative economic impact assessments or modeling efforts of the United States-Oman FTA.

The major finding of this review is that the United States-Oman FTA is expected to have a negligible effect on employment in the United States. This finding regarding the absence of any significant domestic employment effects from the FTA is attributable to, among other factors, the relatively small volume of bilateral trade between the two countries, the fact that more than 40 percent of all U.S. imports from Oman already enter the United States duty-free, provisions in the FTA for the gradual removal of U.S. tariffs on import-sensitive goods from Oman over a ten-year period, and safeguards contained in the FTA to attenuate the effects of any increases in imports that may be a substantial cause of serious injury to a domestic industry.

Among the factors considered in this U.S. employment impact review of the FTA were:

- *The Current Volume and Industrial Structure of U.S.-Oman Trade*

U.S. domestic merchandise exports to Oman have averaged about $369 million a year over the last five years, or five one-hundredths of one percent of all U.S. domestic merchandise exports to the world. Though small in volume, U.S. exports have been concentrated in a few industrial categories, all within the manufacturing sector: transportation equipment; machinery, except electrical; chemicals; computer and electronic products; items entered under special classification provisions; fabricated metal products; and electrical equipment, appliances, and components. (See Table III.1)

U.S. merchandise imports for consumption from Oman have averaged about $467 million a year over the last five years, less than five one-hundredths of one percent of all U.S. merchandise imports for consumption from the world. Oman's exports to the United States have been concentrated in four subsectors: oil and gas; petroleum and coal products; miscellaneous manufactured commodities; and apparel and accessories. (See Table III.2)

- *The Potential Effects of Removing Current Barriers to Trade*

The immediate effects of the FTA will come from the removal of tariffs on bilateral merchandise trade. Both Parties have agreed to remove tariffs on all consumer and industrial products that they currently trade with each other, with the exception of certain textile and apparel products, upon entry into force of the FTA. In the long term, the FTA may also lead to increased FDI and increased economic efficiencies in Oman as well as enhanced transparency.

Most U.S. merchandise exports to Oman now face a uniform flat import tariff of 5 percent. While Oman's tariffs are already rather low, the removal of tariffs on imported U.S. goods should marginally boost the competitiveness of U.S. products in Oman, especially for U.S.-made machinery and equipment, automobiles, fabricated metal products, and computers and electronic equipment. The FTA will also open more fully Oman's services market to U.S. service providers. Under the FTA, Oman will allow 100 percent foreign ownership in almost all sectors and the cross-border supply of most services. The FTA secures the right for all U.S. companies established in Oman to employ U.S. nationals in management, professional and specialty positions and to employ a non-Omani in any other position if no qualified Omani is available.

In 2005, 57.3 percent of all U.S. merchandise imports for consumption from Oman, or $277.6 million, were subject to U.S. import duties, and an estimated $8.8 million in duties were paid at an average ad valorem rate of 3.2 percent. Apparel imports for consumption accounted for 19 percent of the dutiable value and 94 percent of the calculated duties on all U.S. imports for consumption from Oman in 2005. Two apparel tariff line items (HTS 6203.4240: Men's or boys' cotton trousers and shorts, not knit or crocheted and HTS 6204.6240: Women's or girls' cotton trousers, breeches and shorts, not knitted or crocheted), each with an ad valorem rate of duty of 16.6 percent, accounted 11.8 percent of the dutiable value of all imports from Oman and 62.1 percent of all calculated duties collected on imports for consumption from Oman in 2005. Mineral fuels and oils accounted for 79.9 percent of the dutiable value, but only 4.7 percent of the calculated duties on all U.S. imports for consumption from Oman in 2005. Other U.S. import NAICS-based subsectors in which imports for consumption from Oman faced appreciable rates of U.S. duty in 2005 included food manufacturing (10.4 percent) and leather and allied products (7.6 percent). (See Table III.3)

U.S. imports from Oman that would have been subject to U.S. import duty but for the fact that they qualified for duty-free entry under the U.S. GSP program amounted to slightly over 12 percent of all U.S. imports for consumption from Oman or $59.0 million in 2005. Two tariff line items (HTS 7113.1950: precious metal (other than silver) articles of jewelry and HTS 7113.1929: gold necklaces and neck chains (other than of rope or mixed links), each with an ad valorem MFN/NTR tariff rate of 5.5 percent) accounted for 95.2 percent of the GSP duty-free entries from Oman in 2005.

U.S. imports from Oman are concentrated in a few tariff lines. The following seven tariff line items accounted for 75.2 percent of all U.S. imports for consumption from Oman in 2005: petroleum oils testing 25 degrees API or more (HTS 2709.0020); precious metal jewelry (other than silver) (HTS 7113.1950); distillate and residual fuel oil derived from petroleum or oil of bituminous minerals, testing under 25 degrees API (HTS 2710.1905); not calcined petroleum coke (HTS 2713.1100); petroleum gases and other gaseous hydrocarbons, except natural gas (HTS 2711.2900); men's or boys' cotton trousers and shorts, not knit or crocheted (HTS 6203.4240), and women's or girls' cotton trousers, breeches and shorts, not knitted or crocheted (HTS 6204.6240).

Oman was the twenty-second largest supplier of crude petroleum oils testing 25 degrees API or more (HTS 2709.0020) to the U.S. market in 2005, accounting for just 0.2 percent of all U.S. imports for consumption of this item. The three leading suppliers of this item to the U.S. are Nigeria, Canada, and Saudi Arabia; which combined accounted for 51.8 percent of all U.S. imports for consumption of this item in 2005. This item faces an

MFN/NTR tariff rate of 10.5 cents per barrel. The ad valorem equivalent tariff is calculated to be around 0.3 percent.

Oman accounted for 0.9 percent of all U.S. imports for consumption of precious metal articles of jewelry other than silver (HTS 7113.1950) in 2005. The top five suppliers were India, China, Thailand, Italy, and Hong Kong, which combined accounted for nearly two-thirds of all U.S. imports for consumption of this product. This item is subject to as MFN/NTR tariff rate of 5.5 percent, but imports from Oman – and many of the top suppliers, including India and Thailand – enter the U.S. duty-free under the GSP program.

Oman accounted for just 0.16 percent of all U.S. imports for consumption of distillate and residual fuel oils derived from petroleum or oil of bituminous minerals, testing under 25 degrees API (HTS 2710.1905) in 2005. The three leading suppliers of this item, Saudi Arabia, Russia, and Venezuela, combined to account for 30.7 percent of all U.S. imports for consumption of this item. This item is subject to an MFN/NTR tariff rate of 5.25 cents per barrel. The ad valorem equivalent tariff is calculated to be around 0.1 percent.

Oman was the eleventh largest supplier of not calcined petroleum coke (HTS 2713.1100) to the U.S. market in 2005, but accounted for just 0.6 percent of all U.S. imports for consumption of this product. Saudi Arabia was the leading supplier to the U.S market of this item, accounting for 34.1 percent of all U.S. imports for consumption of this item. This item is MFN/NTR duty-free.

Oman was the thirteenth largest supplier of petroleum gases and other gaseous hydrocarbons, except natural gas (HTS 2711.2900) to the U.S. market in 2005, but accounted for just 0.4 percent of all U.S. imports for consumption of this item. Saudi Arabia was the leading supplier to the U.S market of this item, accounting for 30.2 percent of all U.S. imports for consumption of this item. This item is MFN/NTR duty-free.

Oman accounted for 0.4 percent of all U.S. imports for consumption of men's or boys' cotton trousers (HTS 6203.4240) in 2005. Mexico was the leading supplier to the U.S market of this item, accounting for 27.9 percent of all U.S. imports for consumption of this item. Other major suppliers (all ahead of Oman) include China, the Dominican Republic, Bangladesh, Hong Kong, and Nicaragua, among others. This item is subject to an MFN/NTR tariff rate of 16.6 percent, but qualifying imports from certain countries, are eligible for duty-free treatment under various U.S. free trade agreements and trade preference programs.

Oman accounted for 0.2 percent of all U.S. imports for consumption of women's or girls' cotton trousers (HTS 6204.6240) in 2005. Mexico was the leading supplier to the U.S market of this item, accounting for 17.1 percent for consumption of all U.S imports of this item, followed by China, Hong Kong, Cambodia, Indonesia, and Vietnam. This item is subject to an MFN/NTR tariff rate of 16.6 percent, but qualifying imports from certain countries, including Mexico, are eligible for duty-free treatment under various U.S. free trade agreements and trade preference programs

The immediate removal of U.S. tariffs on the small volume of goods imported from Oman does not appear to pose a threat to U.S. producers of like or similar products. While it is difficult to assess whether any increased imports from Oman as the result of the FTA will displace U.S. production or replace imports from other foreign suppliers, it is more likely that any increased amounts would come at the expense of other country suppliers, especially in apparel, where there are already numerous other low-wage developing country suppliers to the highly competitive U.S. market.

- *The Dynamic Nature of the U.S. Labor Market*

The degree to which U.S. workers may face new employment opportunities or job dislocations due to the FTA depends, only in part, on the magnitude and significance of the change in industry employment resulting from the FTA. The predicted impact of the United States-Oman FTA on U.S. employment in all sectors is likely to be very small in relation to the ordinary turnover of workers. For example, in 2005 the annual hires rate was 43.0 percent (or a total of 57.4 million workers) and the annual total separation rate was 40.9 percent (or a total of 54.5 million workers).[27] Equally large rates of hires and separations existed at specific industry levels in 2005. Since the FTA is expected to have a very small effect on bilateral trade flows, it is reasonable to expect that the employment change at the industry level will be negligible and indistinguishable from normal labor market turnover. This conclusion is bolstered by the results of recent U.S. employment impact reviews of the U.S. free trade agreements with Australia, a larger and more diverse high-income industrialized country, and Morocco, a lower-middle-income agrarian-based developing country, which found that those agreements would have a negligible effect on U.S. employment.

- *Features in the FTA to Ease the Adjustment Process*

While the FTA is expected to have little effect on U.S. employment, it contains provisions to help ensure that only goods that meet the FTA's rules of origin will benefit from the FTA and mechanisms to help ease the adjustment process to bilateral free trade with Oman. These include strict rules of origin, rules to protect against transshipment of goods (e.g., a third country using Oman as an export platform to the United States), mechanisms to address injurious increases in imports from Oman, and the gradual phase-out of U.S. tariffs on sensitive goods. There are adequate safeguard measures and emergency actions in the FTA to assure the availability of remedies should there be any harmful increase in imports under the FTA that are a substantial cause of serious injury to a domestic industry.

[27] The annual hires rate is the number of hires during the entire year as a percent of annual average employment. Likewise, the separation rate is the total number of separations during the entire year divided by annual average employment. Total separations include voluntary, involuntary, and other separations (e.g., retirement). U.S. Department of Labor, Bureau of Labor Statistics, *Job Openings and Labor Turnover: January 2006,* News release, USDL 06-457, Washington D.C., March 14, 2006.

IV. The Labor Chapter of the FTA

The Labor Chapter of the FTA fully meets the relevant provisions of the Trade Act of 2002 (Trade Act). The FTA promotes internationally recognized core labor standards, obligates the Parties to not fail to effectively enforce their respective labor laws, and makes the implementation of this obligation subject to dispute settlement procedures and remedies that are similar to those applicable to commercial disputes. In addition, the Chapter obligates each Party to provide comprehensive procedural guarantees for enforcement of its labor laws, including access to labor tribunals, proceedings that comply with due process of law and are open to the public, and remedies to ensure enforcement of labor laws. These provisions should contribute to the effectiveness of labor law enforcement.

The Labor Chapter of the United States-Oman Agreement is similar to the labor chapters of other recent FTAs (with Bahrain, the Central American countries and the Dominican Republic, Australia, Morocco, Chile, and Singapore). Under the Chapter, each Party commits to strive to ensure that internationally recognized labor rights as set forth in the Chapter are recognized and protected by its law.[28] The Chapter establishes a labor cooperation mechanism to improve labor laws and enforcement.

A. Summary of the Labor Chapter

The Labor Chapter consists of seven Articles and an Annex as follows:

In Article 16.1, "[t]he Parties reaffirm their obligations as members of the International Labor Organization (ILO) and their commitments under the ILO *Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998).*"[29] The Parties agree that they shall strive to ensure that such labor principles and the internationally recognized labor rights as defined in the Chapter are recognized and protected by domestic law.

Under Article 16.2, the Parties agree that neither Party "shall fail to effectively enforce its labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade between the Parties." Article 16.7 defines "labor laws" as those directly related to internationally recognized labor rights and "internationally recognized labor rights" as (a) the right of association; (b) the right to organize and bargain collectively; (c) a prohibition on the use of any form of forced labor or compulsory labor; (d) labor protections for children and young people, including a minimum age for employment;

[28] The internationally recognized labor rights set forth in the Chapter track the "core labor standards" identified in section 2113(6) of the Trade Act of 2002.

[29] The ILO *Declaration on Fundamental Principles and Rights at Work* (1998) states that all ILO members have an obligation to "promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation."

and (e) acceptable conditions of work with respect to minimum wage, hours of work, and occupational safety and health. Article 16.2 represents the primary obligation of each Party under the agreement; violation of this obligation is subject to state-to-state dispute settlement procedures that are equivalent to those that apply to the other chapters of the FTA. The article recognizes that each Party retains the right to exercise discretion regarding investigatory, prosecutorial, regulatory, and compliance matters and to make decisions regarding the allocation of resources to enforcement with respect to other labor matters determined to have higher priority. Under this article, the Parties further "recognize that it is inappropriate to encourage trade or investment by weakening or reducing the protections afforded in domestic labor laws" and agree that each Party shall "strive to ensure that it does not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such laws in a manner that weakens or reduces adherence to internationally recognized labor rights referred to in Article 16.7 as an encouragement for trade with the other Party, or as an encouragement for the establishment, acquisition, expansion, or retention of an investment in its territory."

Article 16.3 provides for procedural guarantees and the promotion of public awareness of labor laws. Under Article 16.3, each Party agrees to ensure that persons with a recognized interest under its law have access to impartial and independent judicial and non-judicial tribunals for the enforcement of the Party's labor laws and that such persons may seek remedies to ensure enforcement of their rights. The Parties further agree to ensure that proceedings before such tribunals are fair, equitable, and transparent, and to this end, that such proceedings comply with due process of law, are open to the public, provide an opportunity to defend respective positions, and do not entail unwarranted delays. Each Party also agrees to provide final decisions in such proceedings in writing, make such decisions available to the parties to the proceedings and, consistent with its law, to the public, and base such decisions on evidence in respect of which the parties to the proceeding were offered the opportunity to be heard. Each Party also commits to promote public awareness of its labor laws, including by ensuring the availability of information and encouraging education of its public regarding its labor laws.

Article 16.4 states that the Joint Committee established under Chapter 19 (Administration of the Agreement) shall consider issues and review activities related to the operation of the Chapter, including the Labor Cooperation Mechanism established under Article 16.5. The Joint Committee shall, at the request of either Party, establish a Subcommittee on Labor Affairs comprising officials of the labor ministry or other appropriate ministry or agency. The article also requires each Party to designate a contact point within its labor ministry for the purposes of implementing the Chapter. The contact points must provide for receipt and consideration of communications from the public on matters related to implementation of the Chapter.

Article 16.5 establishes a Labor Cooperation Mechanism. The Labor Cooperation Mechanism is set out in Annex 16-A. (See below)

Article 16.6 establishes a mechanism for consultations between the Parties concerning any matter that may arise under the Chapter. If the Parties are unable to resolve a matter, either Party may request that the Subcommittee on Labor Affairs be convened to consider the matter. (The article directs the Joint Committee to establish the Subcommittee at this time if it has not already done so.) If a Party believes that the Party is not in compliance with its effective enforcement obligation under Article 16.2, the Party may request consultations under the Labor Chapter or under the FTA's Dispute Settlement Chapter.

Article 16.7 sets forth a list of internationally recognized labor rights comprising: (1) the right of association; (2) the right to organize and bargain collectively; (3) a prohibition on the use of any form of forced or compulsory labor; (4) labor protections for children and young people, including a minimum age for the employment of children and the prohibition and elimination of the worst forms of child labor; and (5) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

B. Labor Cooperation

Under the FTA (Article 16.5), the Parties recognize that cooperation provides enhanced opportunities to promote respect for core labor standards embodied in the ILO Declaration and *ILO Convention 182 Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour* ("ILO Convention 182") and to further advance common commitments on labor matters and establish a Labor Cooperation Mechanism. The contact point designated in accordance with Article 16.4 will also serve as a contact point for the Labor Cooperation Mechanism.

Officials of each Party's ministry of labor and other appropriate agencies or ministries shall carry out the work of the Labor Cooperation Mechanism by cooperating to establish priorities for cooperation activities; develop specific cooperative activities; exchange information regarding each Party's labor laws and practices; exchange information on ways to improve labor law and practices; advance the understanding of, respect for, and implementation of the principles reflected in the ILO Declaration and ILO Convention 182; and develop recommendations, for consideration by the Joint Committee, of actions to be taken by each party.

Annex 16-A establishes a Labor Cooperation Mechanism. Under this Labor Cooperation Mechanism, the Parties may undertake cooperative activities on any labor issue considered appropriate, such as: fundamental labor rights and their effective application; improving general working conditions; labor statistics; and human resources development and life long learning.

The Parties may carry out cooperation activities through any form they consider appropriate, including by: (1) arranging study visits and other exchanges between government delegations, professionals, students, and specialists; (2) sharing of information on standards, regulations, procedures, and best practices, including through the exchange of pertinent publications and monographs; (3) organizing joint conferences, seminars, workshops, meetings, training sessions, and outreach and education programs; (4) developing collaborative projects or demonstrations; and (5) engaging in joint research projects, studies and reports, including by engaging independent specialists with relevant expertise.

In identifying areas for cooperation and carrying out cooperative activities under the Labor Cooperation and Capacity Building Mechanism, the Parties are to consider views of their respective worker and employer representatives, as well as other members of civil society.

C. Administration of the Agreement

Chapter 19 of the FTA establishes a Joint Committee of government officials from each Party to supervise the implementation of the FTA and to review the trade relationship between the parties. The Joint Committee shall be co-chaired by the United States Trade Representative and Oman's Minister of Commerce and Industry, or their designees.

D. Dispute Settlement

The core labor provision of the FTA – the obligation to effectively enforce labor laws under Article 16.2 – is subject to the dispute settlement provisions of the Agreement under Chapter 20. The dispute settlement procedures set high standards of openness and transparency, including: public hearings; public release of legal submissions by Parties; and opportunities for nongovernmental entities located in the Parties to submit views. The Agreement includes a strong enforcement mechanism. If a dispute settlement panel finds that a Party has breached its effective enforcement obligation and an agreement to remedy the situation cannot be reached, or is not fulfilled, the complaining Party may request the panel to impose a monetary assessment. The panel must determine the amount of the assessment – not to exceed 15 million US dollars adjusted for inflation – taking into account several factors. Any monetary assessment imposed must be paid into a fund established by the Joint Committee and expended at the direction of the Joint Committee on appropriate labor initiatives, including efforts to improve labor law enforcement. If a Party fails to pay the assessment and the assessment cannot collected from an escrow account established for this purpose, the complaining Party may take steps to secure compliance, including through the suspension of tariff benefits.

Tables

Table II.1: Leading 5-Digit NAICS-based U.S. Industry Exports to Oman in 2005

(sorted by 2005 value)

U.S. Export Industry	NAICS Code	Value of U.S. Exports to Oman (millions of dollars)					Percent of	
		2001	2002	2003	2004	2005	Total U.S. Industry Exports in 2005	All U.S. Exports to Oman in 2005
Total U.S. Exports to Oman…………………….	--	299.1	350.7	317.2	314.3	561.8	0.07	100.00
The leading NAICS-based industries in 2005 were:								
Aerospace products and parts……………………...	33641	67.4	153.3	81.9	7.3	180.0	0.28	32.04
Automobiles and light duty motor vehicles, including chassis…………………………………..	33611	22.5	15.8	17.4	29.5	118.4	0.49	21.08
Mining and oil and gas field machinery…………..	33313	32.5	30.6	35.4	41.9	49.0	0.59	8.73
Special classification provisions[1]………...………..	99000	13.9	10.6	17.7	15.6	18.9	0.06	3.37
Navigational, measuring, electromedical, and controlling instruments…………………………….	33451	12.6	12.2	14.4	16.1	17.3	0.06	3.08
Engines, turbines and power transmission equipment………………………………………….	33361	14.5	3.9	4.7	10.4	15.5	0.09	2.75
Pumps and compressors………...………………….	33391	16.0	12.3	16.1	7.5	15.2	0.33	2.71
Construction machinery……………………..........	33312	3.6	4.7	9.2	6.3	8.7	0.08	1.55
Other basic inorganic chemicals…………………...	32518	0.8	1.7	2.3	0.2	8.5	0.11	1.51
Other fabricated metal products…...……………….	33299	1.4	0.4	4.0	6.6	7.6	0.10	1.36
Other general purpose machinery………………….	33399	7.5	4.5	4.7	12.4	7.0	0.04	1.25
Electrical equipment………………………………	33531	3.7	2.9	2.6	2.6	6.8	0.07	1.21
Metal valves………………………………………..	33291	2.2	2.2	3.6	8.5	6.8	0.13	1.20
Other basic organic chemicals……………………..	32519	1.5	3.4	1.5	3.4	6.0	0.02	1.07
Heavy duty trucks and chassis……………………..	33612	7.0	1.8	2.3	7.7	5.6	0.05	1.00

([1]) Primarily exports of low-value shipments, articles imported for repairs, returned goods, and articles donated to charity.

Note: The value of U.S. merchandise exports is the free alongside ship (FAS) value of domestic U.S. exports at the U.S. port of export.
Source: Official U.S. trade statistics from the U.S. Department of Commerce, Bureau of Census.

Table II.2: Leading 5-Digit NAICS-based U.S. Industry Imports from Oman in 2005

(sorted by 2005 value)

U.S. Import Industry	NAICS Code	Value of U.S. Imports from Oman (millions of dollars)					Percent of	
		2001	2002	2003	2004	2005	Total U.S. Industry Imports in 2005	All U.S. Imports from Oman in 2005
Total U.S. Imports for Consumption from Oman….	--	431.1	389.6	606.6	422.5	484.2	0.06	100.00
The leading NAICS-based industries in 2005 were:								
Oil and gas…………………………………………	21111	177.2	71.2	301.0	168.4	238.2	0.13	49.19
Petroleum refinery products.……………………....	32411	39.3	42.9	37.9	43.4	103.0	0.13	21.28
Jewelry and silverware…………...………………..	33991	35.2	28.5	39.2	45.7	57.2	0.20	11.82
Women's and girls' apparel……………………….	31523	90.7	85.8	85.3	64.0	28.3	0.07	5.84
Men's and boys' apparel…………………………..	31522	55.2	39.0	45.6	60.3	24.3	0.10	5.02
Iron and steel and ferroalloy……………………….	33111	3.0	44.2	5.8	18.0	10.1	0.04	2.10
Fertilizers………………………………………..	32531	(1)	(1)	(1)	(1)	7.4	0.12	1.52
Fish, fresh, chilled or frozen and other marine products……………………………………………	11411	11.3	13.6	13.8	7.3	4.0	0.04	0.83
U.S. goods returned and reimported items………..	98000	5.0	92.0	67.8	6.2	2.7	0.01	0.56
Other nonmetallic minerals……..…………………	21239	2.0	3.2	0.3	1.5	1.6	0.06	0.34
All other nonmetallic mineral products……………	32799	2.8	1.3	0.7	1.2	1.5	0.04	0.30
Special classification provisions[2]…...……………..	99000	0.9	0.8	1.7	0.9	1.2	0.01	0.25
Petrochemicals……………………………………..	32511	1.3	1.6	(1)	(1)	0.8	0.01	0.17
Bread and bakery products.……………………….	31181	0.2	0.3	0.5	0.5	0.8	0.04	0.16
Fruits and vegetables………………………………	31142	0.6	0.9	1.3	1.6	0.8	0.02	0.16
Other apparel…………………..…………………..	31529	0.1	0.2	1.0	1.0	0.6	0.02	0.12

(1) Less than $50,000.
(2) Primarily exports of low-value shipments, articles imported for repairs, returned goods, and articles donated to charity.

Note: The value of U.S. imports is the customs value (the appraised value of the merchandise, exclusive of import duties, freight, insurance, and other charges incurred in placing the merchandise alongside the carrier at the port of exportation) of U.S. merchandise imports for consumption (the amount that immediately enters U.S. consumption channels, but not bonded warehouses or Foreign Trade Zones).
Source: U.S. Department of Labor tabulations of official U.S. trade statistics from the U.S. Department of Commerce, Bureau of Census.

Table III.1: U.S. Exports to Oman by NAICS-based Sector and Subsector, 2001-2005

NAICS-based U.S. Export Sector and Subsector	Value of U.S. Exports to Oman (millions of dollars)					Percent of	
	2001	2002	2003	2004	2005	Total U.S. Sector Exports in 2005	All U.S. Exports to Oman in 2005
Total U.S. Exports to Oman……………….……………….	**299.1**	**350.7**	**317.2**	**314.3**	**561.8**	**0.07**	**100.00**
11—Agriculture and Livestock Products………………..……	**1.0**	**2.7**	**1.6**	**4.2**	**3.1**	**0.01**	**0.55**
111—Agricultural Products……………………...……………	0.8	2.5	1.0	4.1	1.9	0.01	0.34
112—Livestock and Livestock Products………………………..	0.1	0.1	0.1	0.2	0.2	0.02	0.03
113—Forestry Products………………………………..……..	(1)	(1)	0.6	0	1.0	0.06	0.18
114—Fish, Fresh, Chilled, or Frozen and Other Marine Products………………………………………………………..	0	0.1	0	0	0	--	--
21—Oil, Gas, Minerals and Ores………………...…………	**2.3**	**4.8**	**10.2**	**3.9**	**2.4**	**0.02**	**0.43**
211—Oil and Gas…………………………………………...…	0	0	(1)	0	0	--	--
212—Minerals and Ores…………………………...……….	2.3	4.8	10.1	3.9	2.4	0.03	0.43
31-33—Manufacturing…………………………….……..……..	**281.5**	**332.6**	**287.3**	**288.4**	**537.0**	**0.08**	**95.59**
311—Food Manufacturing…………………….………..…..	15.1	13.6	12.0	15.6	9.6	0.03	1.72
312—Beverages and Tobacco Products…………………..……..	7.4	4.8	4.6	4.6	3.9	0.11	0.70
313—Textiles and Fabrics……………………………..……...	0.2	0.3	0.4	0.5	0.4	(2)	0.07
314—Textile Mill Products…………………….……………..	1.1	0.5	0.2	0.3	0.5	0.02	0.09
315—Apparel and Accessories…………………………..……	0.1	(1)	0.3	0.1	0.1	(2)	0.02
316—Leather and Allied Products…………………………..…...	0.2	0.2	0.1	0.1	0.1	(2)	0.02
321—Wood Products……………………………………..…...	0.5	0.3	0.8	0.7	0.2	(2)	0.03
322—Paper…………………………………………………….....	1.0	1.5	1.6	2.3	2.3	0.01	0.41
323—Printing, Publishing and Similar Products……………..….	0.5	0.4	0.3	0.3	0.3	0.01	0.05
324—Petroleum and Coal Products……………………….………	1.9	0.5	0.5	0.3	0.6	(2)	0.10
325—Chemicals…………………………………….………...	16.8	16.6	19.8	20.8	28.5	0.02	5.07
326—Plastics and Rubber Products………………..………….	4.9	2.7	3.7	4.7	5.3	0.03	0.95
327—Nonmetallic Mineral Products…………………….………	2.2	5.6	5.2	3.4	0.6	0.01	0.11
331—Primary Metal Manufacturing……………………..……	1.3	2.6	1.1	2.8	3.8	0.01	0.68
332—Fabricated Metal Products……………………….………..	4.7	4.6	10.2	42.5	18.4	0.08	3.28
333—Machinery, Except Electrical…………………….……….	84.0	65.5	86.9	96.3	105.8	0.11	18.83
334—Computer and Electronic Products……………………….	26.8	21.2	23.9	27.7	24.1	0.02	4.29
335—Electrical Equipment, Appliances, and Components…….	8.8	8.5	6.1	5.0	12.8	0.05	2.27
336—Transportation Equipment……………….……………..	100.6	179.3	105.4	55.7	314.6	0.21	56.00
337—Furniture and Fixtures……………………….……………	0.8	0.6	0.6	0.6	0.9	0.03	0.16
339—Miscellaneous Manufactured Commodities……………....	2.7	3.2	3.5	4.0	4.2	0.01	0.76
51—Information…………………..……………………………	**0**	**0**	**0**	**(1)**	**(1)**	**(2)**	**(2)**
511—Publishing Industries (except Internet)………………..…..	0	0	0	(1)	(1)	(2)	(2)
91-99—Special Classification Provisions………………..…….	**14.3**	**10.6**	**18.0**	**17.7**	**19.2**	**0.04**	**3.42**
91—Waste and Scrap……………………………………..……...	(1)	(1)	0.1	(1)	(1)	(2)	(2)
92—Used or Second-hand Merchandise…………………….…..	0.3	(1)	0.2	2.1	0.2	0.01	0.04
99—Special Classification Provisions, not otherwise specified or included……………………………………………………..……	13.9	10.6	17.7	15.6	18.9	0.06	3.37

(1) Less than $50,000.
(2) Less than 0.005 percent.

Note: The value of U.S. exports is the free alongside ship (FAS) value of domestic U.S. merchandise exports at the U.S. port of export. Because of rounding, figures may not add to totals shown.
Source: Official U.S. trade statistics from the U.S. Department of Commerce, Bureau of Census.

Table III.2: U.S. Imports from Oman by NAICS-based Sector and Subsector, 2001-2005

NAICS-based U.S. Import Sector and Subsector	Value of U.S. Imports from Oman (millions of dollars)					Percent of	
	2001	2002	2003	2004	2005	Total U.S. Sector Imports in 2005	All U.S. Imports from Oman in 2005
Total U.S. Imports from Oman……………….………………	**431.1**	**389.6**	**606.6**	**422.5**	**484.2**	**0.03**	**100.00**
11—Agriculture and Livestock Products………………..……	**11.4**	**13.6**	**13.9**	**7.4**	**4.0**	**0.01**	**0.83**
111—Agricultural Products……………………...……………	([1])	([1])	([1])	0.1	([1])	([2])	([2])
112—Livestock and Livestock Products………………………..	0	0	0	0	0	--	--
113—Forestry Products………………………………..……..	0	([1])	0	([1])	([1])	([2])	([2])
114—Fish, Fresh, Chilled, or Frozen and Other Marine Products………………………………………………………..	11.3	13.6	13.8	7.3	4.0	0.04	0.83
21—Oil, Gas, Minerals and Ores………………...…………	**179.2**	**74.4**	**301.2**	**169.9**	**239.8**	**0.13**	**49.53**
211—Oil and Gas…………………………………………...…	177.2	71.2	301.0	168.4	238.2	0.13	49.19
212—Minerals and Ores…………………………...……….	2.0	3.2	0.3	1.5	1.6	0.03	0.34
31-33—Manufacturing……………………….……..……..	**234.7**	**208.9**	**222.0**	**238.0**	**236.1**	**0.02**	**48.77**
311—Food Manufacturing……………………….………..…..	0.9	1.4	2.0	2.2	1.7	0.01	0.35
312—Beverages and Tobacco Products………………..……..	0	([1])	([1])	0	0	--	--
313—Textiles and Fabrics…………………………..……...	0	([1])	([1])	0	([1])	([2])	([2])
314—Textile Mill Products……………………….………..	0	([1])	0.2	0.9	0.1	([2])	0.22
315—Apparel and Accessories……………………..……	146.0	125.0	131.9	125.3	53.2	0.07	10.98
316—Leather and Allied Products…………………..…...	([1])	0.1	([1])	([1])	([1])	([2])	([2])
321—Wood Products…………………………………..…...	0	0	0	0	([1])	([2])	([2])
322—Paper……………………………………………….....	1.1	0.8	0.4	0.3	0.1	([2])	0.02
323—Printing, Publishing and Similar Products……………..….	0	([1])	0	0	([1])	([2])	([2])
324—Petroleum and Coal Products…………………….………	39.3	42.9	37.9	43.4	103.0	0.13	21.28
325—Chemicals…………………………………..……...	1.3	1.7	0.4	0.2	8.3	0.01	1.72
326—Plastics and Rubber Products………………..…………	0.5	0.4	0.2	0.1	0.3	([2])	0.06
327—Nonmetallic Mineral Products…………………….………	2.8	1.3	0.7	1.2	1.5	0.01	0.31
331—Primary Metal Manufacturing……………………..……	3.6	4.2	5.8	18.0	10.1	0.02	2.10
332—Fabricated Metal Products…………………….………..	0.1	0.1	0.2	0.1	0.1	([2])	0.02
333—Machinery, Except Electrical……………………….……….	0	([1])	0	([1])	0.1	([2])	0.01
334—Computer and Electronic Products……………………….	0.1	([1])	([1])	([1])	([1])	([2])	([2])
335—Electrical Equipment, Appliances, and Components…….	1.7	0.1	0	([1])	([1])	([2])	([2])
336—Transportation Equipment……………….……………..	0.1	0	0	([1])	0	--	([2])
337—Furniture and Fixtures…………………….……………	2.0	2.2	2.9	0.2	0.2	([2])	0.04
339—Miscellaneous Manufactured Commodities……………....	35.2	28.6	39.3	45.9	57.3	0.07	11.83
51—Information…………………..……………………………	**0**	**0**	**0**	**0**	**0**	**--**	**--**
511—Publishing Industries (except Internet)………………..…..	0	0	0	0	0	--	--
91-99—Special Classification Provisions………………..…….	**5.9**	**92.8**	**69.5**	**7.1**	**4.2**	**0.01**	**0.87**
91—Waste and Scrap……………………………….……...	0	([1])	0	0	0	--	--
92—Used or Second-hand Merchandise…………………..…..	([1])	0	([1])	([1])	0.2	([2])	0.05
98—U.S. Goods Returned and Reimported Items……………..	5.0	92.0	67.8	6.2	2.7	0.01	0.56
99—Special Classification Provisions, not otherwise specified or included…………………………………………………..……	0.9	0.8	1.7	0.9	1.2	0.01	0.25

([1]) Less than $50,000.
([2]) Less than 0.005 percent.

Note: The value of U.S. imports is the customs value (the appraised value of the merchandise, exclusive of import duties, freight, insurance, and other charges incurred in placing the merchandise alongside the carrier at the port of exportation) of U.S. merchandise imports for consumption (the amount that immediately enters U.S. consumption channels, but not bonded warehouses or Foreign Trade Zones). Because of rounding, figures may not add to totals shown.
Source: Official U.S. trade statistics from the U.S. Department of Commerce, Bureau of Census.

Table III.3: Customs Value, Dutiable Value, Calculated Duties, and Average Rate of Duty on U.S. Imports from Oman by NAICS-based Subsector, 2005

NAICS-based U.S. Import Subsector	Customs Value ($thous.)	Dutiable Value ($thous.)	Calculated Duties ($thous.)	Average Rate of Duty (percent)
315—Apparel and Accessories………..……………....	53,150.1	53,091.4	8,208.5	15.46
211—Oil and Gas….………………………………....	238,179.0	176,052.1	353.5	0.20
311—Food Manufacturing…………………………....	1,712.1	654.3	67.9	10.38
324—Petroleum and Coal Products……..…………....	103,046.3	45,792.1	58.9	0.13
990—Special Classification Provisions[1]…………..….	1,226.1	1,226.1	20.5	1.67
339—Miscellaneous Manufactured Commodities…..	57,286.4	207.1	11.4	5.51
326—Plastics and Rubber Products………………….	293.6	159.8	9.6	6.02
327—Nonmetallic Mineral Products..……………….	1,506.5	192.9	8.9	4.61
314—Textile Mill Products……………………...…...	99.5	98.1	8.3	8.41
325—Chemicals……………………………………....	8,312.7	30.9	1.5	4.86
333—Machinery, Except Electrical……………...…..	120.3	35.0	1.4	4.00
316—Leather and Allied Products………..………….	7.1	7.1	0.5	7.56
980—U.S. Goods Returned and Reimported Items….	2,734.7	46.6	0.2	0.51
332—Fabricated Metal Products….………………….	93.2	5.2	0.2	3.40
334—Computer and Electronic Products…………….	36.5	10.1	0.2	1.70
335—Electrical Equipment, Appliances, and Component……………………………………………	7.3	5.0	0.1	2.60
313—Textiles and Fabrics….………………………..				
All Other Subsectors………………….…………..	16,351.2	0	0	--
Total………………………………………..	484,163.6	277,614.8	8,751.7	3.15

[1] Comprised of items classified in HTS 9999.9500—Estimated imports of low valued transactions with a customs value and a dutiable value of $1,185,097, for which no duties were calculated by the Bureau of the Census; and HTS 9818.0007—Other equipment or parts, upon first arrival in any port of the United States of any vessel described in U.S. note 1 to subchapter XVIII of chapter 98 with a customs value and a dutiable value of $40,967, for which the calculated duties were $20,484 and the average rate of duty was 50 percent.

Note: The customs value of U.S. merchandise imports is the appraised value of the merchandise, exclusive of import duties, freight, insurance, and other charges incurred in placing the merchandise alongside the carrier at the port of exportation. The customs value given is for imports for consumption, which represents the amount that immediately enters U.S. consumption channels, but not bonded warehouses or Foreign Trade Zones. The dutiable value represents the customs value of the foreign merchandise imported into the United States that is subject to duty. The calculated duty represents the estimated import duties collected. Estimated duties are calculated based on the applicable rates of duty as shown in the Harmonized Tariff Schedule of the United States Annotated for Statistical Reporting Purposes. Estimates of calculated duty do not necessarily reflect amounts of duty paid. The average rate of duty is the ratio of calculated duties over dutiable value, expressed in percentage terms. Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce, Bureau of Census.