



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Senator Chuck Grassley
Senate Finance Committee Consultative Consideration of the U.S.-Oman Free Trade Agreement
Thursday, May 18, 2006

The committee will now convene in open executive session to review, and make informal recommendations on, proposed legislation to implement the United States-Oman Free Trade Agreement. Before we begin with the technical review of the proposed bill, I want to say a few words about the agreement. This agreement is very strong. Immediately upon entering into force, 100 percent of bilateral trade in industrial and consumer goods will become duty-free. The agreement also covers all agricultural products.

Oman will provide immediate duty-free access for current U.S. agricultural exports in 87 percent of agricultural tariff lines. Tariffs on remaining agricultural products will be phased out over 10 years. In addition, Oman will provide substantial market access across its entire services regime. I realize that Oman is not a large market, but this agreement gives our exporters, investors, and service providers real benefits.

And it serves as a solid model for future trade agreements that we may negotiate in the Middle East. The benefits of the agreement are thus bigger than bilateral trade flows would suggest. This agreement is an important step in building toward the President's vision of a Middle East Free Trade Area by 2013. Achieving the President's vision would result in significantly improved market access for U.S. exports of agricultural, industrial, and consumer goods and services in a region of the world populated by 350 million people that is growing quickly.

The President's vision also offers the prospect of increased economic prosperity and stability throughout the Arab world. The fact is, open economies that are actively engaged in international commerce tend to grow at much higher rates than closed economies. Thus we have strong mutual interests in achieving a Middle East Free Trade Area.

I know some concerns have been expressed regarding labor rights in Oman, and I welcome that discussion. The fact is, Oman has undertaken a number of significant labor law reforms since 2003, and the government is actively confronting the areas where more work needs to be done. These reforms include ratifying a number of conventions and protocols on labor of the International Labor Organization and the United Nations. This past March, Oman made eight commitments to the United States to enact additional labor law reforms by October 31st of this year. The earliest this agreement could come into effect is January 1st of next year. So Oman has clearly committed to complete its reform effort well before that date. And just last week, Oman made ten additional commitments addressing concerns about forced labor and child labor, as well as specifying in greater detail the government's intentions with respect to the March commitments. These actions demonstrate that Oman is a good-faith partner in working to address legitimate concerns. I wish all our trading

partners demonstrated such active engagement to resolve open issues.

Some of the concerns that have been expressed appear to have more to do with recent reports of labor violations in Jordan than they do with Oman. Still, after hearing of these concerns, I've included language in a modified chairman's mark of the proposed statement of administrative action. My modification adds a provision for periodic reporting by the Administration to Congress on any coercive actions by employers in Oman to compel forced labor.