

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

The Honorable Ted Stevens
President Pro Tempore
United States Senate
Washington, D.C. 20510

NOV 15 2004

Dear Senator Stevens:

In accordance with section 2104(a)(1) of the Trade Act of 2002 (the Trade Act), and pursuant to authority delegated to me by the President, I am pleased to notify the Congress that the President intends to initiate negotiations for a free trade agreement (FTA) with the Sultanate of Oman. We expect these negotiations to get underway in the beginning of 2005, and we will be consulting closely with the Congress over the next 90 days, as required by the Trade Act.

An FTA with Oman will promote the President's initiative to advance economic reform and openness in the Middle East and the Persian Gulf, moving us closer to the creation of a Middle East Free Trade Area. A U.S.-Oman FTA will build on the FTAs that we already have with Israel, Jordan, and Morocco, as well as the FTA that we recently signed with Bahrain, and will encourage other members of the Gulf Cooperation Council (GCC) to adopt standards that promote trade and investment. In 2003, Oman had \$1.0 billion in two-way trade with the United States. Two-way trade between the United States and Oman and the other GCC markets was \$33 billion. Oman is a close partner on the Strait of Hormuz and will continue to be an important strategic colleague on a broad array of foreign and national security issues.

An FTA with Oman will directly benefit the United States. By reducing and eliminating barriers to trade, a comprehensive FTA will generate export opportunities for U.S. companies, farmers, and ranchers, help create jobs in the United States, and will offer American consumers more choices. In 2003, U.S. businesses exported \$323 million worth of products in such areas as machinery, aircraft, vehicles, and electrical machinery. Agriculture exports from the United States totaled \$13 million during the same period.

An FTA will provide new export opportunities for U.S. services firms in sectors such as telecommunications, banking, insurance, energy, construction, engineering, legal services, accounting, tourism and travel, health care, and environmental services. An FTA will also support Oman's commitment to transparency, openness, and the rule of law, thereby enhancing respect for intellectual property, labor rights, and environmental protection.

This year, Oman entered into a Trade and Investment Framework Agreement (TIFA) with the United States. Before and after signing the TIFA, Oman has demonstrated a serious commitment to free trade. Relying increasingly on foreign direct investment, Oman has opened its economy further by privatizing the electricity and telecommunications sectors; financial services are already open to competition.

Our initial consultations with the Congress, including with the Congressional Oversight Group on September 8, 2004, suggest broad bipartisan interest in an FTA with Oman. Following these consultations, I visited Oman to discuss with senior officials the topics covered in our comprehensive FTAs, to identify particular areas for attention, and to assess Oman's commitment to moving forward with an FTA. I came away from my discussions with a strong sense of Oman's commitment and interest in using the FTA to further its plans for increased development, growth, and openness. Our work with Oman complements the 9/11 Commission recommendation urging the United States to expand trade with the Middle East as a way to "encourage development, more open societies, and opportunities for people to improve the lives of their families."

Through our FTAs in the Middle East, the United States is supporting moderate Islamic countries led by modernizers who are promoting openness and economic growth. Supporting countries such as Oman as it expands its trading and investment relationship with the United States is a concrete and mutually beneficial way for the American people to enhance opportunity and the hope that comes with it in this critical region for U.S. interests.

The Administration will continue to work closely with the Congress, including through the consultation, notification, and reporting procedures in the Trade Act. Moreover, to ensure that interested stakeholders are informed and have ample opportunity to provide their views, the Administration will conduct the negotiations in a transparent and accessible manner.

The specific objectives for negotiations with Oman are as follows:

Trade in Goods:

- Seek to eliminate tariffs and other duties and charges on trade between Oman and the United States on the broadest possible basis, subject to reasonable adjustment periods for import-sensitive products.
- Seek to eliminate Oman's non-tariff barriers to U.S. exports.
- Pursue fully reciprocal access to Oman's market for U.S. textile and apparel products.

Trade in Services:

- Pursue disciplines to address discriminatory and other barriers to trade in Oman's services market, and pursue a comprehensive approach to market access, including any necessary improvements in access to the financial services, telecommunications, and distribution sectors, while permitting each government to address domestic sensitivities.
- Seek improved transparency and predictability of Oman's regulatory procedures, and seek specialized disciplines for financial services and additional disciplines for telecommunication services and other sectors, as necessary.
- In parallel with the FTA negotiations, work with Oman in its efforts to make commitments in the WTO on access to its market for basic telecommunications services.

Investment:

- Seek to establish rules that reduce or eliminate artificial or trade-distorting barriers to U.S. investment in Oman, while ensuring that Omani investors in the United States are not accorded greater substantive rights with respect to investment protections than U.S. investors in the United States, and to secure for U.S. investors in Oman important rights comparable to those that would be available under U.S. legal principles and practice.
- Seek to ensure that U.S. investors receive treatment as favorable as that accorded to domestic or other foreign investors in Oman and to address unjustified barriers to the establishment and operation of U.S. investments in Oman.
- Provide procedures to resolve disputes between U.S. investors and Oman that are in keeping with the trade promotion authority goals of being expeditious, fair, and transparent.

Intellectual Property Rights:

- Seek to establish standards to be applied in Oman that build on the foundations established in the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement) and other international intellectual property agreements, such as the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.
- Seek to have Oman apply levels of protection and practices in line with U.S. law and practices, including appropriate flexibility, in areas such as trademark, copyright, patent, and data protection and enforcement of intellectual property rights.
- Seek to strengthen Oman's procedures to enforce intellectual property rights, such as by ensuring that Oman authorities seize suspected pirated and counterfeit goods, and related equipment and documentary evidence.
- Seek to strengthen measures in Oman that provide for compensation of right holders for infringements of intellectual property rights and to have Oman provide for criminal penalties that would effectively deter piracy and counterfeiting.

Technical Barriers to Trade (TBT):

- Seek to have Oman affirm its WTO TBT commitments, including those relating to labeling requirements on U.S. food and agricultural products produced through biotechnology, and help ensure that Oman's technical regulations, standards, and conformity assessment procedures do not serve as an unnecessary impediment to trade.
- Seek to strengthen collaboration with Oman on implementation of the WTO TBT Agreement, enhance regulatory transparency, and create a procedure for exchanging information with Oman on TBT-related issues.

Sanitary and Phytosanitary (SPS) Measures:

- Seek to have Oman affirm its WTO commitments on SPS measures and eliminate any unjustified SPS restrictions.
- Seek to ensure that Oman's policies regarding agricultural biotechnology products and food safety standards are science-based and do not create unjustifiable barriers to trade.
- Seek to strengthen collaboration with Oman on implementing the WTO SPS Agreement and to enhance cooperation with Oman in relevant international bodies on developing international SPS standards, guidelines, and recommendations.

Electronic Commerce:

- Seek to affirm that Oman will allow products and services to be delivered electronically and will not unjustifiably discriminate among those products and services.
- Seek to affirm that Oman does not apply customs duties on digital products that are delivered electronically.
- Seek to ensure that Oman determines the dutiable value of digital products contained in carrier media based on the value of the media, not their content.

Customs Matters, Rules of Origin, and Enforcement Cooperation:

- Seek rules to require that Oman's customs operations are conducted with transparency, efficiency, and predictability, and that customs laws, regulations, decisions, and rulings are not applied in a manner that would create unwarranted procedural obstacles to international trade.
- Seek rules of origin, procedures for applying these rules, and provisions to address circumvention matters that will ensure that preferential duty rates under an FTA with Oman apply only to goods eligible to receive such treatment, without creating unnecessary obstacles to trade.
- Seek terms for cooperative efforts with Oman regarding enforcement of customs and related issues, including trade in textiles and apparel.

Government Procurement:

- Seek to establish rules requiring government procurement procedures and practices in Oman to be fair, transparent, and predictable for suppliers of U.S. goods and services who seek to do business with Oman.
- Seek to expand access for U.S. goods and services to Oman's government procurement market.

Transparency/Anti-Corruption/Regulatory Reform:

- Seek to make Oman's administration of its trade regime more transparent, and pursue rules that will permit timely and meaningful public comment before Oman adopts trade-related regulations and other measures.
- Seek to ensure that Oman applies high standards prohibiting corrupt practices affecting international trade and investment and enforces such prohibitions.

Trade Remedies:

- Provide an appropriate bilateral safeguard mechanism, if necessary.
- Make no changes in U.S. antidumping and countervailing duty laws.

Labor:

Oman needs to take independent, significant further steps to address concerns we have raised regarding protection of worker rights. Within the text of the FTA, we will:

- Seek an appropriate commitment by Oman to effectively enforce its labor laws.
- Establish that Oman will strive to ensure that it will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in its labor laws.
- Establish procedures for consultations and cooperative activities with Oman to strengthen its capacity to promote respect for recognized labor standards, including compliance with all core ILO conventions.

Environment:

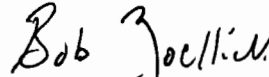
- Seek to promote trade and environment policies that are mutually supportive.
- Seek an appropriate commitment by Oman for the effective enforcement of its environmental laws.
- Establish that Oman will strive to ensure that it will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in its environmental laws.
- Help Oman strengthen its capacity to protect the environment through the promotion of sustainable development, such as by establishing consultative mechanisms.

State-to-State Dispute Settlement:

- Encourage the early identification and settlement of disputes through consultation.
- Seek to establish fair, transparent, timely, and effective procedures to settle disputes arising under the FTA. In addition, the FTA will incorporate other U.S. objectives such as the protection of legitimate health, safety, environment, essential security, and consumer interests.

The Administration is committed to concluding these negotiations with timely and substantive results for U.S. workers, farmers, ranchers, businesses, and families. We look forward to continued close consultations with Congress as negotiations begin and to pursuing the specific, overall, and principal U.S. negotiating objectives set out in the Trade Act. Working together, we will achieve an FTA that benefits the United States and Oman, and that advances America's broader goals.

Sincerely,

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

Robert B. Zoellick