

US signs trade pact with Oman, keeps Egypt on hold

Reuters | January 19, 2006

By Doug Palmer

WASHINGTON - The United States signed a free-trade agreement on Thursday with Oman, a moderate Gulf state and ally in the U.S. war on terrorism, while keeping trade talks with Egypt on hold amid concerns over its commitment to democracy.

"The agreement we sign today, along with (existing) pacts with Jordan, Israel, Bahrain and Morocco, is an important step in the effort to establish a Middle East Free Trade Area by 2013," U.S. Trade Representative Rob Portman said at the signing ceremony.

Portman urged Congress to pass the agreement with Oman in the next few months and told reporters he was hopeful of ultimately gaining support from Democrats who have concerns about the Arab kingdom's labor laws.

However, he said the United States was not prepared yet to begin free trade talks with Egypt. "There have been some concerns raised on the political front," and some economic issues also still need to be resolved, Portman said.

Egypt has been pushing for a free-trade agreement with the United States for a number of years and appeared late last year to finally be close to beginning negotiations.

But U.S. industry officials say the State Department appears to have blocked that for now, after Egyptian liberal opposition leader Ayman Nour was sentenced in December to five years in jail on charges he says are politically motivated.

"I'm pretty optimistic that over time we'll be able to do (a free trade pact with Egypt), but we still have to work through some of the commercial issues as well as the political issues," Portman said.

The United States also is looking at several of Oman's neighbors in the Gulf region as potential free-trade partners "and there's always the possibility of Iraq and Afghanistan" as well as Libya, Portman said.

Oman, a non-OPEC oil and natural-gas producer that neighbors Saudi Arabia, already has an open market. But under the pact, both countries would immediately eliminate duties on almost all industrial and consumer goods.

An exception is textiles and clothing -- a sensitive area for the United States and a major Omani export -- where some protections will remain.

The monarchy of 3 million people, including about 580,000 foreign workers, will also open its doors to more U.S. companies in service sectors such as banking and telecommunications. Agricultural trade will be almost duty-free from day one, and completely duty-free within 10 years.

The pact will help Oman diversify its economy from one based primarily on oil, Omani Commerce and Industry Minister Makboul bin Ali bin Sultan said in an interview.

Two-way trade between the United States and Oman was about \$1 billion in 2005 -- just a tiny fraction of the \$70 billion trading relationship between the United States and the entire Middle East region.

Bin Sultan said this week he was confident Oman could satisfactorily answer questions that some House Democrats have raised about workers rights in the country.

"We don't have any forced labor. We don't have any child labor in Oman. No one, I think, should have any problems with labor laws in Oman," bin Sultan said.

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