UNITED STATES BUSINESS AND INDUSTRY COUNCIL

FIGHTING FOR AMERICAN COMPANIES AND AMERICAN JOBS SINCE 1933

June 28, 2006

Dear Senator:

On behalf of the member companies of the U.S. Business and Industry Council, I am writing to urge you to oppose the U.S.-Oman Free Trade Agreement when it comes up for a floor vote.

A new trade agreement with such a small country (Oman's 2004 gross domestic product of $24.8 billion was slightly smaller than the economy of Toledo, Ohio) may seem innocuous. Yet the U.S.-Oman FTA epitomizes many of the main problems that have plagued U.S. trade policy for decades. These have cost the United States vital manufacturing output and employment, and have pushed the nation's trade deficit to record levels.

First, the size of the Omani economy shows that the market the agreement would theoretically open for U.S.-based exporters is almost non-existent. On the other hand, Oman has been a significant exporter of textile and apparel to the United States. The agreement's provisions are certain to expand those exports. Indeed, the FTA would grant Oman tariff preference levels (TPLs) for textile and apparel products fully three times the size of that country's current exports.

Second, TPLs give countries duty-free access to the U.S. market – even though third-party fabric and yarns are used in garments and other finished goods. Therefore, this huge expansion in Oman's TPL means that the main beneficiaries of the agreement are unlikely to be either Oman or the United States. Instead, experienced textile and apparel trans-shippers like China stand to gain the most.

Worse, nothing in the agreement would stop the Chinese from simply creating an export base in Oman, complete with Chinese-owned factories using Chinese-origin fabric and yarn. And Beijing could reap these gains without making any trade concessions of its own, while continuing its unfair trade practices, such as currency manipulation, intellectual property theft, and subsidies to its exporters.

Third, the defeat of the Oman FTA would send a powerful and urgently needed signal to the White House that the administration needs to stop wasting precious time expanding trade with micro-markets like Oman and to start focusing on the main trade policy challenges confronting America. First and foremost is reducing our massive and growing trade deficit, which increasingly threatens global economic stability. Second is helping domestic manufacturers cope with the predatory trade practices of China, a potential geopolitical rival, and of our other major trading partners.

The types of domestic manufacturing companies and industries represented by USBIC form the productive backbone of America's economy. In addition to undergirding U.S. national security, domestic manufacturing as a whole generates the economy's best-paying jobs, the bulk of its productivity increases, and most of its technological progress. Yet after decades of negligent and often outright harmful U.S. trade policies, time is running out for much of the manufacturing sector. A major re-thinking and change of course on U.S. trade policy is essential for revitalizing American industry and returning it to world-class competitive status. Defeating the U.S.-Oman Free Trade Agreement would be an excellent place to begin.

Sincerely,

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