

Middle East Partnership Initiative Conference - Oman

Success with the US-Oman Free Trade Agreement

Muscat
11 May 2009

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There are three distinct kinds of opportunities afforded by the US-Oman Free Trade Agreement (OFTA)

Opportunities Under the US-Oman FTA

1 Opportunities for Export to the United States

- The FTA removes duties on over 99% of Oman's export products by value. In several product categories, Omani exporters will have considerable tariff advantages over countries without US FTAs. The largest tariff advantages will be in apparel and food products. Tariff advantages on some commodities (polypropylene, plastic sheeting) will also be significant.
- US Services markets (finance, telecomms, IT and professional services, government procurements) are also open to Omani companies.

2 Opportunities to Partner with United States companies for Trade within the GCC

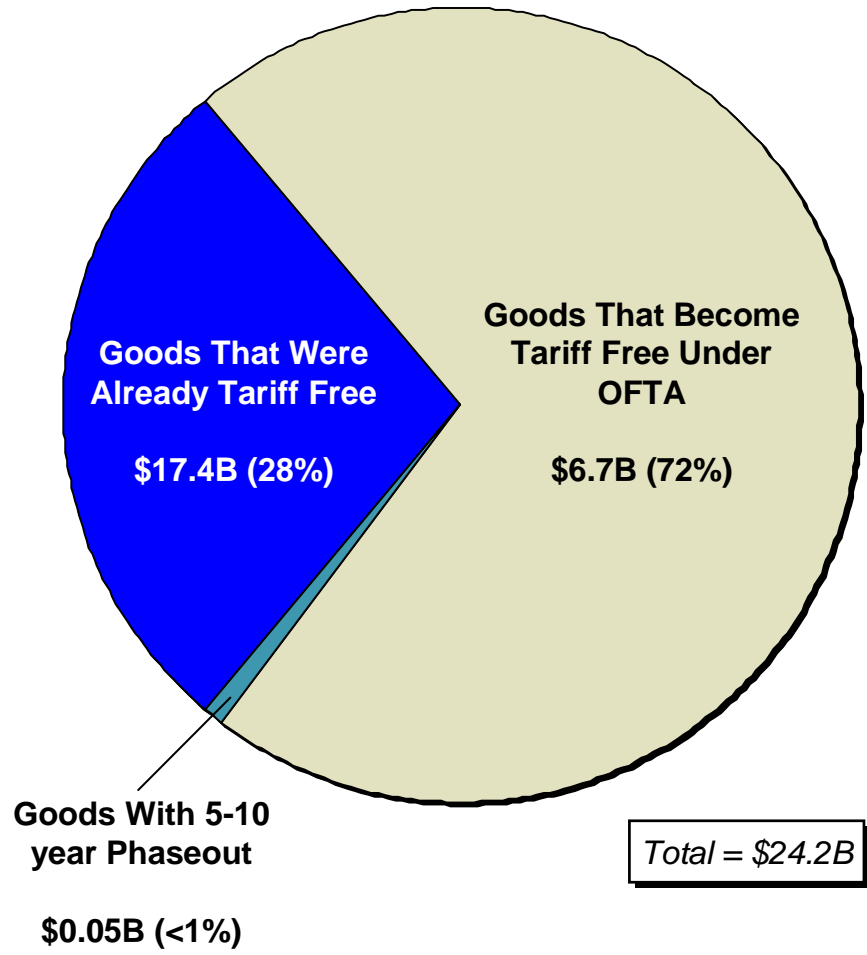
- The FTA makes Oman an ideal entry point to the GCC. As such, there will be opportunities to partner with US companies to manufacture or assemble products in Oman for export throughout the region. Goods such as air conditioners, refrigerators, televisions – which are protected by KSA – should be considered.
- Of all the regional FTAs (i.e Bahrain, Jordan), OFTA creates the most liberal environment for services. There will be opportunities to partner with US companies in a variety of services ventures targeting the region.

3 Opportunities to Partner with United States companies to develop project in Oman

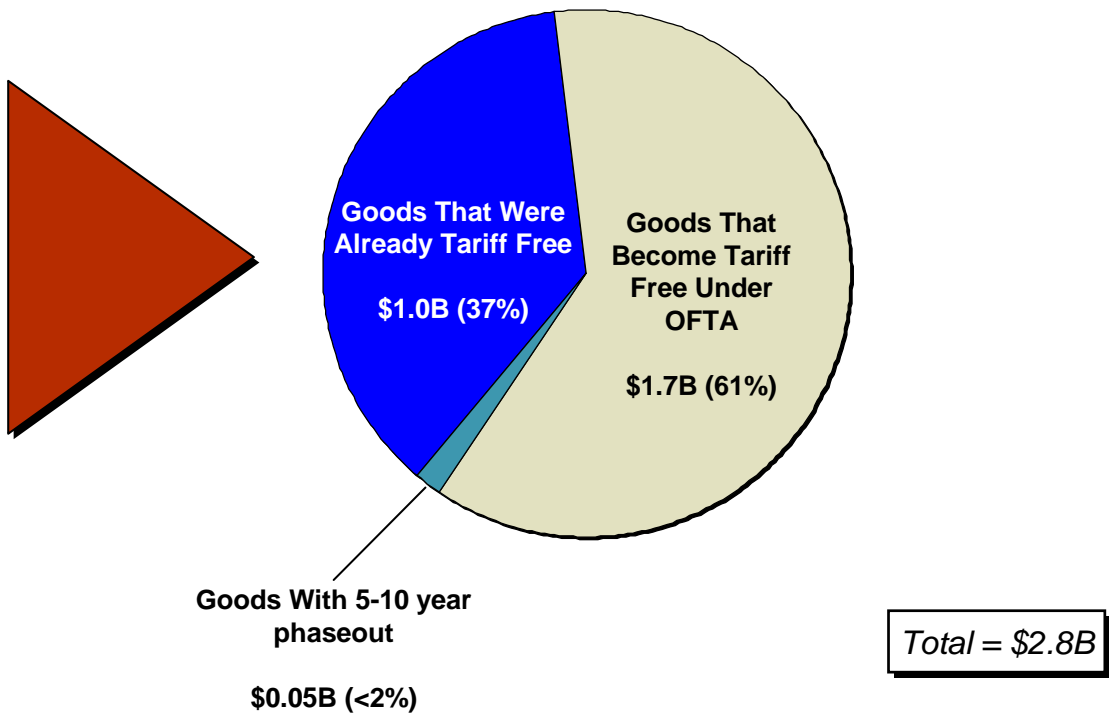
- The FTA puts protections in place for US and Omani investors, traders and professionals conducting business in each country.
- Protections include international arbitration procedures, exemption from employment quotas for management positions, intellectual property rights protections, the ability to provide many services on a non-resident basis, etc.

Under OFTA, the vast majority of Oman's exports by value enjoy tariff-free access to the United States

Tariff Treatment of Oman's Exports under OFTA
(2007 – World Exports by Value)



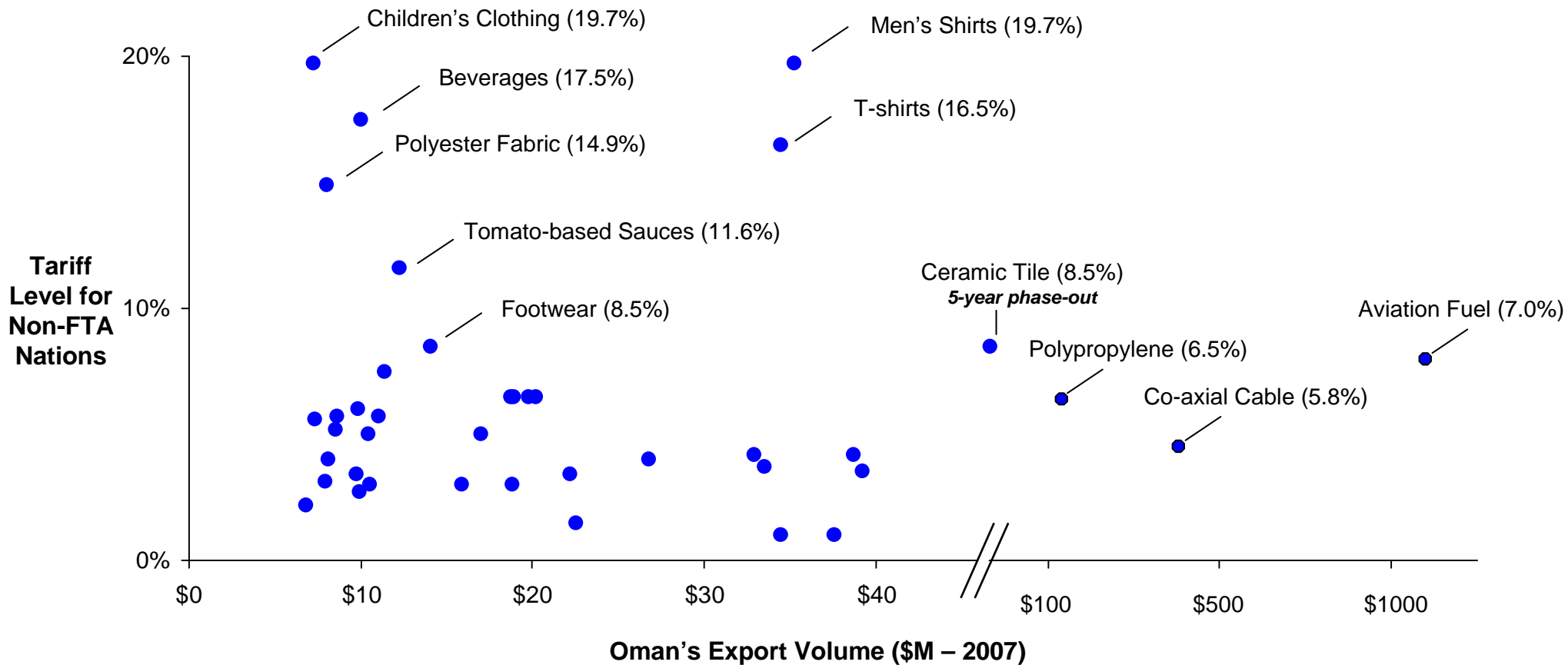
Tariff Treatment of Oman's Exports under OFTA
(2007 – World Exports by Value Excluding Main Petroleum Products)



Source: UN COMTRADE
Note: Analysis includes top 70 categories of exports only, representing 97.9% of total exports.₂

In several important categories, the tariff advantage over countries that do not hold FTAs will be significant

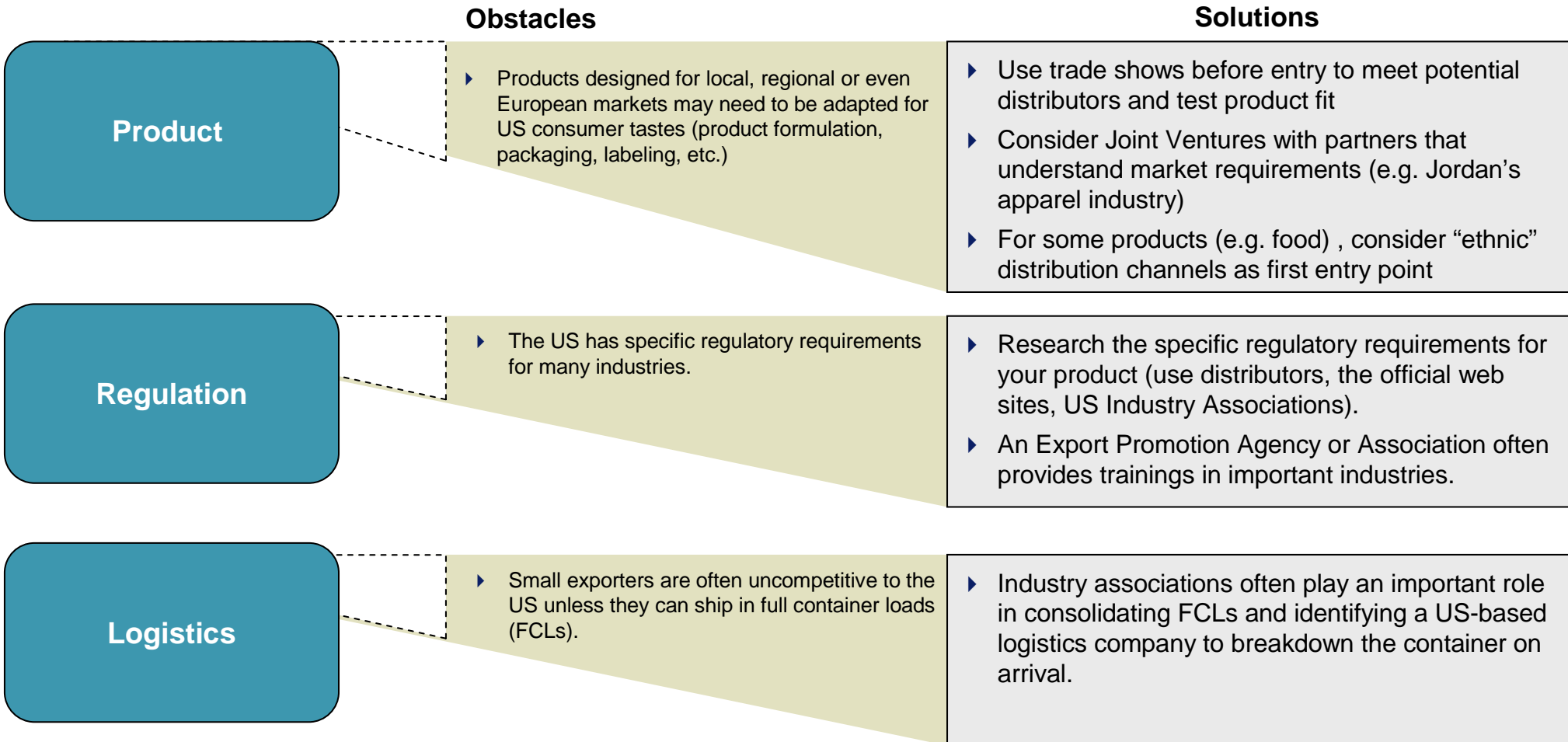
Omani Tariff Advantage Over a Non-FTA Country (Selected Goods)



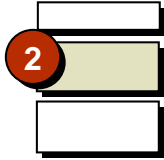
Source: USTR, USITC

However, there are several obstacles that new exporters to the US must address to have success

Obstacles and Solutions for New Exporters to the United States

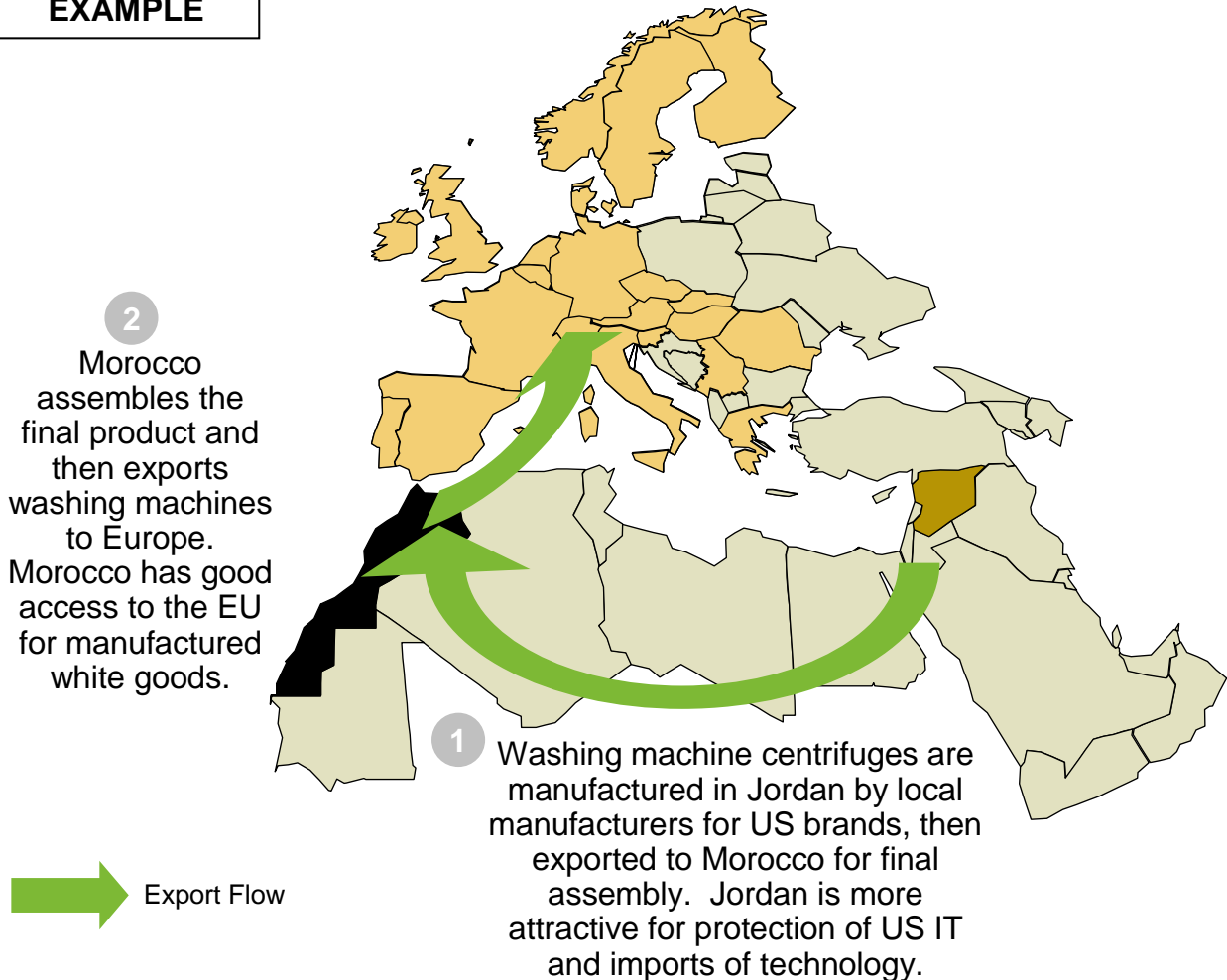


Complex value chains have developed in other countries where FTAs have been implemented



Example of Trade Driven by Interlocking Trade Agreements Washing Machines

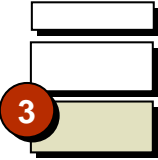
EXAMPLE



Comments

- ▶ This trade pattern is driven primarily by interlocking regional trade treaties.
- ▶ The specifics of the trade flows are dictated by technical factors such as rules of origin, IPR protections and imports of manufactured goods.
- ▶ There is the potential for Oman to become the focal point of similar 3-way trade between the United States and GCC.
- ▶ There is also great opportunity in services.

OFTA makes Oman attractive as a market for cross-border trade and investment for projects in Oman and the US



Protections and Freedoms Granted under OFTA

Investor Status

- ▶ The FTA explicitly puts US investors, in most circumstances, on par with local investors in establishing, acquiring and operating businesses.
- ▶ A dispute resolution mechanism has been put in place to address specific concerns

Enforcement of IPR

- ▶ The FTA establishes enforcement mechanisms for copyright, trademark and other intellectual property protections.
- ▶ This will make Oman more attractive to entertainment and media companies, software designers, franchisors and any other business dependent on IT services

Cross-Border Services

- ▶ The FTA grants the right for US and Omani professionals to provide cross-border services as non-residents. This affects engineers, architects, money managers, lawyers, accountants and others.
- ▶ This freedom will make it easier for services firms to facilitate businesses in each country. The sectors allowed is broad and includes telecomms services, energy distribution and government procurement.

Expatriate Labor

- ▶ The FTA removes quotas on management and professional positions and makes it easier for US expatriates to change employers.
- ▶ These requirements have been applied by the Government of Oman to most nationalities improving Oman's overall competitiveness, making it on par with the Dubai free zones in this aspect.

The freedoms and protections provided are reciprocal – applying equally to US business people in Oman and Omani business people in the United States.

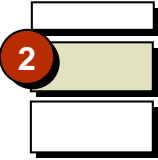
Thank You

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One set of opportunities may be provided by tariffs for certain goods into Saudi Arabia and UAE



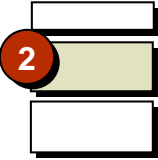
UAE and KSA Tariffs on Selected Products

Product	Total Oman Exports (2007)	Import Duties Imposed		
		US to Oman	US to KSA	US to UAE
Plastic Sheeting	\$33M	Free	5%	5%
Aluminum Profiles	\$22.5M	Free	5%	5%
Rubber Mattresses	\$16M	Free	5%	5%
Air Conditioners	\$6.8M	Free	5%	5%
Refrigerators	\$4.7M	Free	5%	5%
Polyethylene	\$19.8M	Free	5%	5%
Co-axial cable	\$372M	Free	5%	5%

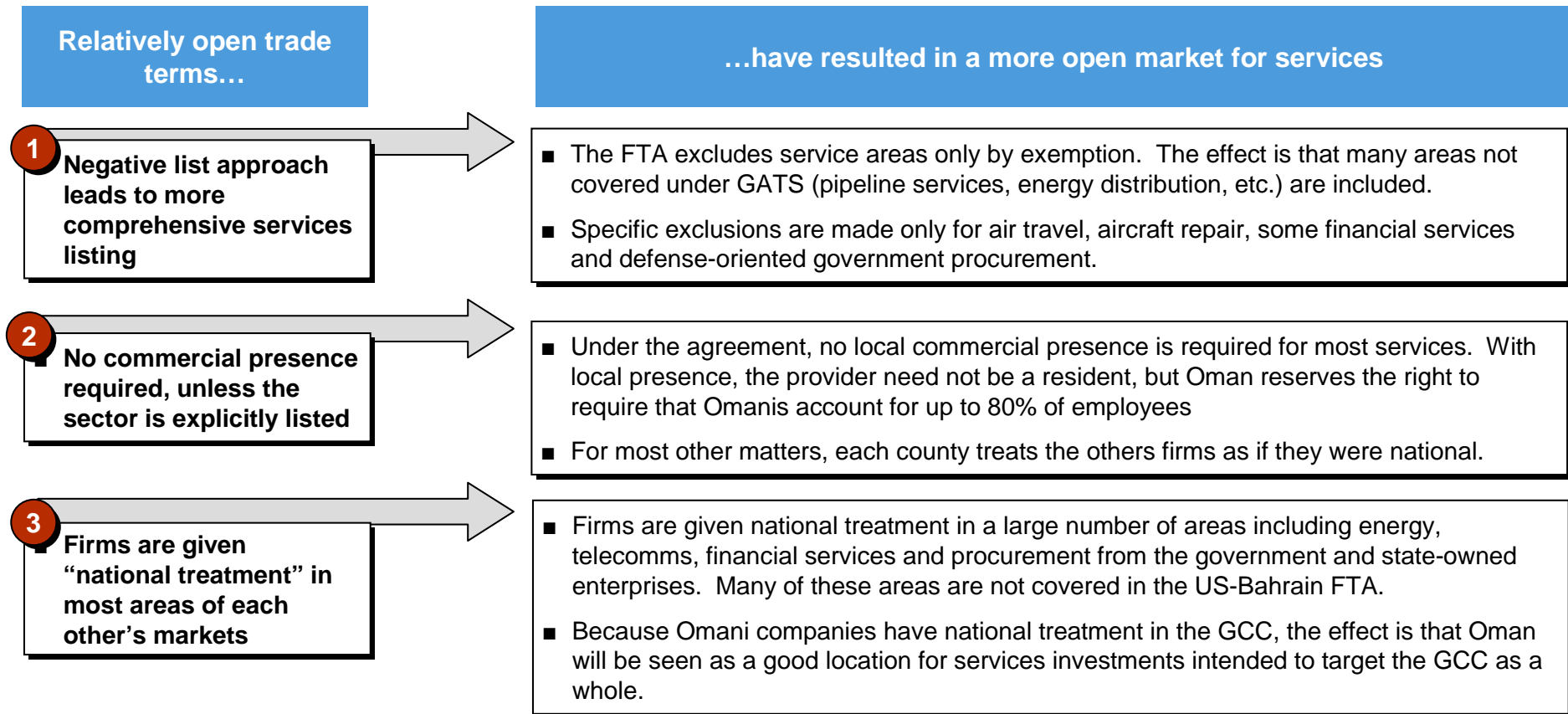
Comments
<ul style="list-style-type: none"> ▶ Goods such as air conditioners, refrigerators and televisions have strong US brands and require many manufacturing steps. ▶ The ability to realize such deals will depend on rules of origin and other technical requirements as well as delivery logistics as well as rulings of the GCC Secretariat General. ▶ GCC is moving from customs duties to VAT which will lessen the opportunity for “tariff arbitrage”.

Source: Saudi Customs Department, Customs Department of Abu Dhabi
 Note: GCC customs duties may change to a uniform 3% VAT in the near future

There are another set of opportunities in services where Oman provides an excellent environment for services exports to GCC



Provisions of the US-Oman FTA on Services



Sources: US-Oman FTA, US International Trade Commission