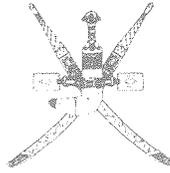


بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Embassy of
The Sultanate of Oman
Washington, D.C.



سفارة سلطنة عمان
"دولة عمان"

The Honorable Susan Schwab
United States Trade Representative
600 17th St., n.w.
Washington, D.C. 20508

July 12, 2006

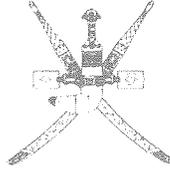
Dear Ambassador Schwab:

I am pleased to advise you that His Majesty, Sultan Qaboos bin Said, signed Royal Decree 74/2006 effective on July 8, 2006 in order to affect changes to the Omani Labour Law based on discussions that the Omani Government has held with Members of the U.S. Congress.

Royal decree 74/2006 was signed by his Majesty as a demonstration of Oman's good faith and continuing efforts to improve working conditions and rights for all workers in the Sultanate. His Majesty believes that his Royal Decree demonstrates Oman's intention to begin to take immediate action to address U.S. Congressional concerns and addresses general labor issues raised during consultations with the U.S. Congress with respect to the U.S.-Oman Free Trade Agreement.

The Royal Decree sets the legal foundation upon which fulfillment of the wide range of changes in Omani labor laws and practice now have been or, in some minor areas, will be accomplished. Specifically, the Decree:

1. Prohibits forced labor by employers (which includes methods by which to coerce labor through, for example, the withholding of travel documents by employers of foreign workers);
2. Specifically endorses collective bargaining and acknowledges the use of strikes as a collective bargaining technique;
3. Provides specific enforcement tools for the prohibition against forced or coerced labor by providing for imprisonment and/or fines of up to \$1,300 per violation, with a doubling of the penalty for repeat offenders.
4. Acknowledges that workers may form labor "syndicates" (unions) to serve their interests and to represent workers in all matters of concern to the workers at the local, regional and international levels. There is no limit for how many such unions may be formed for each enterprise.



5. Ensures that unions shall have the right to conduct their affairs with full freedom and without interference or influence from any other party. Among other things, this effectively terminates - immediately - Omani Government involvement in union activities including previously legislated criteria for membership and participation in a union or its leadership.

6. Specifically prohibits termination of employment or any other form of employer retribution for representatives performing their union duties.

7. Specifically provides penalties including possible imprisonment and fines for an employer that might deprive a worker of his or her right to form or participate in a union or perform union activities.

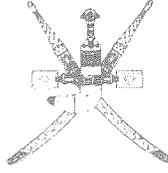
8. Increases fines five-fold for violating Oman's prohibition on the use of child labor or improper use of female labor. For recidivists, imprisonment is also a potential penalty.

The effect of the Decree is to provide for new rights for workers in Oman and to cancel all provisions of law that contravene or contradict the Decree. Based on the Royal Decree, Ministerial Decisions are now being prepared that will implement, where necessary, specific provisions of the Decree as well as to formalize government action to educate workers regarding the legal changes and new rights that the Decree has engendered. In doing so, the Government of Oman has illustrated its commitment not only to the U.S. Congress but to ensuring that the benefits of the Free Trade Agreement are enjoyed by workers, farmers and businesses.

It is the intent of the Government of Oman to issue follow-on Ministerial Decisions, primarily from the Ministry of Manpower, which will provide more detailed terms, where necessary, to effectively enforce or implement the commitments made to the U.S. Government. These follow-on decisions and regulations will address the procedures for collective bargaining, for lawful strikes, for reinstatement of employees dismissed due to lawful activity and increase enforcement and education on forced labor to ensure that employers understand that the holding of passports or other documents is not allowed and to make them aware of the new penalties for failure to abide by the new labor laws. In addition the Government of Oman, pursuant to the May 8, 2006 letter from Minister of Commerce and Industry Maqbool Ali Sultan to Ambassador Portman, is committed to enacting further reforms including specifying the types of essential services consistent with ILO Convention 29 and allowing more than one national federation. Of course, Oman shall remain committed to adopting these further reforms by no later than October 31, 2006.

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Washington, D.C.*



سَفَارَةُ سُلْطَانَةِ عُمَانَ
"دَوْلَةُ عُومَانِ"

We believe that the action taken by the Sultan affirms Oman's commitment to undertake the labor law changes as quickly as possible, consistent with Oman's representations throughout the consultative process.

Sincerely,


Hunaina Al-Mughairy
Ambassador