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U.S. and Bahrain Announce Intention to Negotiate a Free Trade Agreement

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WASHINGTON - The United States and Bahrain announced today the intention to seek to negotiate a Free Trade Agreement (FTA). This process would be in accordance with the consultation and notification procedures determined by the Congress under the Trade Promotion Authority Act of 2002.

"Today=s announcement is a first step in implementing the President=s announcement earlier this month about advancing economic reforms in the Middle East and pursuing the goal of a Middle East Free Trade Area (MEFTA) by 2013," said U.S. Trade Representative Robert B. Zoellick, who today met with Crown Prince Shaikh Salman Bin Hamad Al-Khalifa. "The Administration will continue to work closely with Congress, including with consultation, formal notification, and reporting procedures, as outlined in the Trade Promotion Authority Act.

"A U.S.-Bahrain FTA could serve as a regional anchor for the Gulf facilitating greater economic integration and reforms, and leading toward the eventual goal of a Middle East Free Trade Area. The United States already has free trade agreements with Israel and Jordan, and we hope to complete the negotiations for an FTA with Morocco by the end of this year," added Zoellick.

The United States and Bahrain have decided that it would serve their mutual interests to develop closer ties through a free trade agreement. The successful conclusion of a comprehensive U.S.-Bahrain FTA would enhance commercial relations with an economic leader in the Gulf and set the stage for improving trade relations and expanding openness with other countries in the region, increasing prosperity, opportunity, and hope. An FTA with Bahrain will generate export opportunities for U.S. goods and increase access for U.S. services providers, creating jobs for U.S. farmers and workers, while supporting Bahrain's economic and political reforms and building stronger economic ties with the Middle East.

Zoellick and Crown Prince Shaikh Salman discussed the preparatory steps for the FTA negotiations. Subject to Congressional procedures, the two countries hope to start formal negotiations at the beginning of next year.

The Administration=s intention to seek to negotiate a free trade agreement with Bahrain reflects the Administration=s strong support for the reforms Bahrain has undertaken and the benefits that will accrue for both countries from more open trade. Bahrain currently has low tariffs and a liberal trade regime for important services sectors, such as banking and insurance, and recently enacted legislation liberalizing the telecommunications market completely by 2004. The United States and Bahrain have been engaged in a robust economic dialogue over the past year under a bilateral Trade and Investment Framework Agreement (TIFA) to promote closer economic ties, freer trade, greater openness, a stronger investment climate, and the reform process.

Background:

Promotes U.S. Exports: A comprehensive U.S.-Bahrain FTA will generate export opportunities for

U.S. goods and increase access for U.S. services providers, creating jobs for U.S. farmers and workers. U.S. goods exports to Bahrain in 2002 totaled \$419.2 million, including aircraft, machinery, vehicles, pharmaceutical products, and toys, games and sports equipment. Agricultural commodities that would benefit from an FTA include U.S. meats, fruits and vegetables, cereals, and dairy produce. Bahrain's goods exports to the United States in 2002 totaled \$395.1 million, including articles of apparel and clothing accessories, aluminum, fertilizers, organic chemicals, mineral fuels and oils, plastics, and electrical machinery.

Supports Economic Reform and Investment Opportunities: Bahrain is a regional leader in economic reform and trade liberalization and has undertaken a strong economic reform program that includes liberalization of the telecommunications market and recent legislation for transparent government procurement and labor rights.

In addition to tariff elimination, an FTA with Bahrain would include commitments to increased access for U.S. firms to Bahrain's services sector. In addition to the telecommunications sector, there are likely opportunities for U.S. firms in the financial services, distribution, energy, construction and engineering, health services, education and training, tourism and travel, and environmental services sectors.

The proposed free trade agreement would support Bahrain's commitment to transparency, openness and the rule of law, and would include increased protection for intellectual property and specific provisions to encourage the development of e-commerce. An FTA would also support Bahrain's efforts on environmental protection and labor, including the expansion of employment opportunities.

An FTA would be the capstone on a continuing, mutual effort to bring the U.S. and Bahrain economically closer together. The U.S. and Bahrain signed a TIFA in 2002, paving the way for closer economic ties between the two countries, and U.S. investors continue to benefit from the protections accorded under the U.S.-Bahrain Bilateral Investment Treaty, in effect since 2001.

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