

# The Office of the United States Trade Representative

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## United States and Bahrain to Launch Free Trade Negotiations January 26

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WASHINGTON - The United States and Bahrain will launch negotiations on a free trade agreement Monday, January 26 in Manama, Bahrain to lower tariffs and barriers and expand trade between the two countries. Subsequent negotiation rounds will alternate between the United States and Bahrain with a goal of completing the negotiations by the end of the year.

"Bahrain is an important strategic partner in the Middle East that continues to implement significant economic and political reforms – reforms that a free trade agreement with the United States will support and accelerate," said U.S. Trade Representative Robert B. Zoellick. "The successful conclusion of a high quality, comprehensive U.S.-Bahrain FTA will create economic opportunities for America's farmers, workers, and businesses as well as bolster economic reforms and foreign investment in Bahrain."

"An FTA with Bahrain will promote the President's initiative to advance economic reforms in the Middle East and the Persian Gulf and to establish a Middle East Free Trade Area (MEFTA) by 2013," Zoellick said. "This agreement will 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, creating prosperity, opportunity, and hope."

Building on President Bush's initiative, Zoellick met with government officials and business leaders in Bahrain in June 2003 and discussed how their economic reform agenda and support for trade liberalization will complement the FTA negotiations. "Bahrain has demonstrated a serious commitment to open trade and has played a constructive role in the Doha Round of the World Trade Organization (WTO) negotiations," added Zoellick.

Assistant U.S. Trade Representative for Europe and the Mediterranean Cathy Novelli will lead the U.S. negotiating team. 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 could benefit from an FTA include U.S. meats, fruits and vegetables, cereals, and dairy products. 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.

### Using Trade and Investment Framework Agreements to Build Free Trade:

The U.S.-Bahrain bilateral Trade and Investment Framework Agreement (TIFA), signed in June 2002, paved the way for a robust economic dialogue on promoting closer economic ties, freer trade, greater openness, a stronger investment climate, and economic reforms. Since signing the TIFA, Bahrain has joined the WTO Information Technology Agreement, committing it to zero tariffs in computer, telecommunications and related products, provided an open environment for electronic commerce, taken initial steps to join and implement the World Intellectual Property Organization (WIPO) Internet treaties, and pledged to treat agricultural biotechnology fairly.

Based on progress made through the TIFA discussions and Bahrain's commitment to opening its economy, the United States and Bahrain announced in May 2003 their intention to seek to

negotiate an FTA. The announcement followed such key steps as Bahrain's liberalization of its telecommunications market and legislation for transparent government procurement and labor rights. An FTA will support continued economic reform and investment opportunities in Bahrain, and well as Bahrain's commitment to transparency, openness and the rule of law.

### **U.S. Efforts to Promote Trade Globally, Regionally and Bilaterally:**

The U.S. trade agenda involves working to open markets globally (Doha WTO trade negotiations); regionally (the FTAA); and bilaterally (such as the recently concluded CAFTA). With only six current FTA partners (not counting CAFTA, which still must be enacted), FTAs with the U.S. are relatively rare and attractive to countries seeking to expand their economies. FTAs with the U.S. can boost economic growth by promoting the rule of law, regulatory transparency and other positive reforms that attract investment and help create efficient and more modern economies.

These policy initiatives have had a transforming impact on those countries that embraced market opening and liberalizing reforms. Free trade with the United States has led to Jordan's exports to the United States growing from \$16 million in 1998 to a projected \$600 million in 2003. Of this increase, in only two years Jordan's non-textile exports to the United States have risen to \$100 million – this diversification of exports is a key FTA benefit. Jordan's exports to the rest of the world increased 97 percent between 1998 and 2002 (from \$1.2 billion to \$2.3 billion), outpacing the 68 percent growth for the Middle East as a whole.

The Jordanian Government reports that more than 30,000 jobs have been created by Jordan's expanding trade with the United States, and that foreign direct investment in Jordan rose from \$627 million in 1995 to \$2.4 billion, or 26% of gross domestic product, in 2002. Jordan directly attributes its increased economic performance and competitiveness to the steps it has taken in the WTO and its free trade relationship with the United States.

According to a Cato Institute Paper, the markets opened through the current Chile and Singapore FTAs, the recently completed Central America FTA (CAFTA), the ongoing Morocco, South African Customs Union (SACU), and Australia FTA negotiations, and the upcoming Bahrain FTA negotiations, taken together as a group would constitute the 4th largest U.S. export market and the world's 9th largest economy in terms of purchasing power.

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