



## **U.S. and Bahrain Sign Free Trade Agreement**

### **USTR Zoellick says FTA will create prosperity, opportunity, hope**

The United States and Bahrain signed the U.S.-Bahrain Free Trade Agreement (FTA) in Washington September 14, in a move that will drastically reduce trade barriers, expand economic opportunities and encourage reformers, according to a press release from the Office of the U.S. Trade Representative (USTR).

The U.S.-Bahrain FTA will eliminate tariffs on all consumer and industrial products and on 81 percent of U.S. agricultural exports to Bahrain, and Bahrain will open its services market wider than any previous FTA partner, the press release said. The press release said the FTA will streamline digital trade, protect intellectual property, facilitate government procurement, and provide for effective enforcement of environmental and labor laws.

"The U.S.-Bahrain FTA 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," said USTR Robert Zoellick.

The U.S.-Bahrain FTA supports the recommendation of the National Commission on Terrorist Attacks Upon the United States (also known as the 9/11 Commission) that says the United States needs a comprehensive strategy to counter terrorism which includes economic policies that encourage development, more open societies and opportunities for people to improve their lives and create a better future for their children.

Pursuing President Bush's vision of creating a free trade area with the Middle East by 2013, the United States has signed FTAs with Israel, Jordan, Morocco and Bahrain. To lay a foundation for future FTAs, the United States also has concluded more narrowly focused Trade and Investment Framework Agreements with Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Yemen, Oman, Egypt, Algeria, and Tunisia.

Following is the text of the press release about the signing of the U.S.-Bahrain FTA:

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Washington, D.C. 20508

USTR Press Releases are available on the USTR website at [www.ustr.gov](http://www.ustr.gov) September 14, 2004

United States and Bahrain Sign Free Trade Agreement

First FTA with Persian Gulf Partner; Opens Markets, Promotes Liberty and Opportunity in the Middle East and Fulfills 9/11 Commission Recommendation

WASHINGTON - U.S. Trade Representative Robert B. Zoellick and Minister of Finance and National Economy Abdulla Hassan Saif today signed the U.S.-Bahrain Free Trade Agreement, a comprehensive agreement that will not only remove trade barriers and expand regional opportunities for the peoples of both countries, but will also promote liberty and opportunity in the Middle East.

Two-way trade was nearly \$900 million in 2003. On the first day this agreement goes into effect, 100 percent of consumer and industrial products and 81 percent of U.S. agricultural exports will be duty free. Bahrain will open its services market wider than any previous FTA partner,

streamline digital trade, protect intellectual property, facilitate government procurement, and provide for effective enforcement of labor and environmental laws. In 2003, U.S. exports totaled more than half a billion dollars. This new trade opening will expand opportunities for exports of aircraft, machinery, vehicles, pharmaceutical and agricultural products such as meats, fruits and vegetables, cereals, and dairy products.

"The U.S.-Bahrain FTA 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," said Zoellick. "This free trade agreement is the next step for a nation on the move. Free trade negotiations often last more than a year, but Bahrain's decisive embrace of open trade and free markets paved the way for these negotiations to close in four months.

"Last year, President Bush outlined a step-by-step plan to achieve a Middle East Free Trade Area. With the hand of U.S. economic partnership, the United States will embrace and encourage reformers across the region. The 9/11 Commission urged the United States to expand trade with the Middle East and highlighted this FTA with Bahrain, as well as our recently passed FTA with Morocco as examples of positive steps in this direction," said Zoellick, who visited Bahrain in June 2003.

Also in attendance were Representatives Paul Ryan (R-WI) and Jim Turner (D-TX) and representatives from the U.S.-Bahrain FTA Business Coalition, which is co-chaired by Alcoa and Citigroup and currently has 50 members. The Business Coalition represents a broad range of industries including construction, energy, services, autos, pharmaceutical, information technology, and defense companies.

The signing of the final agreement took place in the Indian Treaty room in the Eisenhower Executive Office building, where the UN Charter and the treaty establishing the International Monetary Fund (IMF), were signed.

## BACKGROUND

### U.S.-Bahrain Free Trade Agreement

Two-way goods trade between the United States and Bahrain was \$887 million in 2003. U.S. goods exports to Bahrain in 2003 totaled \$509 million, including aircraft, machinery, vehicles, pharmaceutical products, and toys, games and sports equipment. U.S. exports of agricultural products to Bahrain in 2003 totaled \$14 million, including poultry, snack foods, cotton, and processed fruit and vegetables. Bahrain's goods exports to the United States in 2003 totaled \$378 million, including articles of apparel and clothing accessories, aluminum, fertilizers, organic chemicals, mineral fuels and oils, plastics, and electrical machinery. Two-way foreign direct investment is about \$195 million.

Based on progress made through discussions under the U.S.-Bahrain bilateral Trade and Investment Framework Agreement (TIFA) and Bahrain's commitment to opening its economy, the United States and the Kingdom of Bahrain announced on May 21, 2003, their intention to seek to negotiate a U.S.-Bahrain Free Trade Agreement. Formal notice to Congress of the Administration's intent to initiate negotiations for an FTA with Bahrain was sent on August 4, 2003. After a 90-day period for consultations between the Administration and the Congress, the United States and Bahrain launched bilateral negotiations in Manama, Bahrain on January 26, 2004, and agreement was reached in May. President Bush formally notified Congress of his plan to sign an FTA with Bahrain on June 15. The draft text was made available to the general public on June 18, 2004, only 3 weeks after conclusion of the negotiations.

## The 9/11 Commission Report and the Bahrain Free Trade Agreement

The U.S. government has announced the goal of working toward a Middle East Free Trade Area, or MEFTA, by 2013. The United States has been seeking comprehensive free trade agreements (FTAs) with the Middle Eastern nations most firmly on the path to reform. The U.S.-Israeli FTA was enacted in 1985, and Congress implemented an FTA with Jordan in 2001. Both agreements have expanded trade and investment, thereby supporting domestic economic reform. In 2004, new FTAs were signed with Morocco and Bahrain, and are awaiting congressional approval. These models are drawing the interest of their neighbors. Muslim countries can become full participants in the rules-based global trading system, as the United States considers lowering the trade barriers with the poorest Arab nations.

Recommendation: A comprehensive U.S. strategy to counter terrorism should include economic policies that encourage development, more open societies, and opportunities for people to improve the lives of their families and to enhance prospects for their children's future. (The 9/11 Commission Report Pages 378-379)

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

In May 2003, the President announced his initiative to create a Middle East Free Trade Area (MEFTA) by 2013. The initiative is designed to deepen U.S. trade relationships with all countries of the region, through steps tailored to individual countries' level of development. Since that announcement, the United States has concluded FTA negotiations with Morocco and Bahrain, and signed TIFAs with Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Yemen, and Oman. The United States already has TIFAs with Egypt, Algeria, and Tunisia. The United States recently held its first TIFA Council meetings with Tunisia, the UAE, Kuwait, and Qatar. In addition, the United States has made progress with the WTO accessions of Saudi Arabia and Algeria, and in the case of Algeria, extended GSP benefits.

The U.S. Congress recently approved free trade agreements with Australia and Morocco by wide margins (Australia passed the House 314 to 109 and the Senate 80 to 16; Morocco passed the House 323 to 99 and the Senate 85 to 13). In addition, Congress also recently passed the African Growth and Opportunity Act (AGOA) Acceleration Act, a duty-free preference program designed to promote economic development in sub-Saharan Africa's by expanding access to the U.S. market.

This Administration has completed free trade agreements with 12 countries: Jordan, Chile, Singapore, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Australia, Morocco, the Dominican Republic, and Bahrain. The United States is currently negotiating free trade agreements with ten more countries: Panama, Colombia, Ecuador, Peru, Thailand, and with the five nations of the Southern African Customs Union (SACU) - Botswana, South Africa, Lesotho, Swaziland, and Namibia. New and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world.

The United States is working to open markets globally in the Doha World Trade Organization (WTO) negotiations. On July 31, WTO negotiations were moved ahead in Geneva with an agreement that puts the WTO on course to open markets for agriculture, goods and services. The agreed framework provides structure and direction to the ongoing trade talks, which are designed to promote global economic growth and development in developed and developing countries. The United States is also working to open markets regionally with the Free Trade Area of the Americas (FTAA) negotiations.

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