The Office of the United States Trade Representative

United States to Begin Free Trade Negotiations This Week with the United Arab Emirates and Oman

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WASHINGTON - The United States will begin negotiations on a Free Trade Agreement today with the United Arab Emirates (UAE) and negotiations with Oman March 12 with the goal of eliminating tariffs and barriers and expanding trade between the countries. Assistant U.S. Trade Representative for Europe and the Mediterranean Catherine Novelli will lead the U.S. negotiating team.

The upcoming trade negotiations with the UAE and Oman are an important stage in implementing the President's initiative to advance economic reforms and openness in the Middle East and the Persian Gulf and a key step towards the creation of a Middle East Free Trade Area, an Administration initiative. Each negotiation is a separate bilateral negotiation with the United States.

"We're very pleased to begin FTA negotiations with Oman and UAE. In addition to contributing to economic growth and trade among all the countries, we believe the agreements will promote economic development and opportunity in both Oman and UAE, and serve as models for the region. These FTAs will build on those we already have with Jordan, and Morocco, as well as the FTA that we recently have signed with Bahrain. It will also encourage the six members of the Gulf Cooperation Council to adopt standards that promote trade and investment," noted Acting U.S. Trade Representative Peter F. Allgeier. "We also intend to continue to move forward with our other partners in the region through our TIFAs and WTO accession discussions.

"These FTAs will directly benefit the United States," continued Allgeier. "By reducing and eliminating barriers to trade, a comprehensive FTA with the UAE and Oman will generate export opportunities for U.S. companies, farmers, and ranchers, help create jobs in the United States, and help American consumers save money while offering them more consumer choices."

In addition, U.S. free trade agreements in the Middle East and the Gulf complement the 9/11 Commission Report recommendation urging the United States to expand trade with the Middle East as a way to "encourage development, more open societies and opportunities for people to improve the lives of their families."

"The UAE and Oman are important strategic partners in the Middle East that are implementing significant economic reforms that free trade agreements with the United States will support and accelerate," said Allgeier. "We believe that we can move rapidly on these negotiations."

On November 15, 2004, the Administration notified Congressional leaders of its intent to negotiate Free Trade Agreements with the UAE and Oman, important steps on the path to fulfilling President Bush'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. Building on the President's initiative, former U.S. Trade Representative Robert B. Zoellick visited the UAE and Oman in October 2004 to discuss with top officials the topics covered in the United States' comprehensive FTAs, to identify particular areas for work, and to assess the UAE's and Oman's commitments to moving forward with an FTA. House Ways and Means Committee Chairman Bill

Thomas led a Congressional delegation to Oman and other countries in the Middle East in November 2004 to discuss similar issues.

The United States trade relationship with the UAE is the third largest in the Middle East, behind only Israel and Saudi Arabia. The U.S. has a combined trading relationship of $6 billion and a trade surplus of $2.8 billion with these two countries ($5.2 billion in total U.S.-UAE 2004 trade, with $4.1 billion in U.S. exports and $1.1 billion in U.S. imports. U.S.-Oman in 2004 trade was $748 million, with U.S. exports of $330 million and U.S. imports of $418). Major U.S. exports to these two countries include machinery, aircraft, vehicles and electrical machinery. Major imports include mineral fuel and woven apparel.

Middle East Free Trade Initiative (MEFTA)

In May 2003, the President proposed a plan of graduated steps for Middle Eastern nations to increase trade and investment with the United States and others in the world economy. The first step is to work closely with peaceful nations that want to become members of the World Trade Organization (WTO) in order to expedite their accession. As these countries implement domestic reform agendas, institute the rule of law, protect property rights (including intellectual property), and create a foundation for openness and economic growth, the United States takes a series of graduated steps with these countries tailored to their individual level of development.

The U.S. is expanding and deepening our economic ties through comprehensive FTAs, Trade and Investment Framework Agreements (TIFAs), and Bilateral Investment Treaties (BITs), and also will enhance the Generalized System of Preferences (GSP) program for eligible countries. This Administration has concluded two FTAs, Morocco and Bahrain; ratified a third, with Jordan; and signed eight TIFAs with Middle East nations.

United States Trade Agreements

U.S. FTAs: These are reciprocal and ambitious agreements that open markets and strip away barriers across a broad array of goods, services, and agricultural products.

TIFAs: The United States has TIFAs with a number of countries to enhance bilateral trade and coordinate regionally and multilaterally through regular senior-level discussions on trade and economic issues. The TIFAs create Joint Councils that address a wide range of commercial issues and set out basic principles underlying the nations' trade and investment relationship.

BITs: These agreements level the playing field and ensure that U.S. investors are treated fairly. By safeguarding foreign subsidiaries of U.S. firms, BITs help promote new U.S. exports to the markets of BIT partners. BITs also protect the interests of average American investors, whose stock and bond portfolios often include stakes in foreign-invested firms.

U.S. Trade Agenda

The United States is working to open markets globally in the Doha WTO negotiations; regionally through the Asia Pacific Economic Cooperation (APEC) and the Free Trade Area of the Americas (FTAA) negotiations; and bilaterally, with FTAs. The Bush Administration has completed FTAs with 12 countries – Jordan, Chile, Singapore, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Australia, Morocco, and Bahrain. Negotiations are under way or about to begin with 12 more countries: Panama, Colombia, Peru, Ecuador, Thailand, the five nations of the Southern African Customs Union (SACU), the UAE, and Oman. New and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world.

The 9/11 Commission Report

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

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