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JORDANIAN FOREIGN MINISTER MARWAN MUASHER: Good morning. His Majesty King Abudullah II hosted ministers this morning from Bahrain, Egypt, Jordan, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, the United Arab Emirates, Yemen, Palestinian Authority, Secretary General of the Arab League, and the United States at the Dead Sea, to discuss how to advance the process of the US-Middle East Free Trade area and regional and economic and trade cooperation. Discussions covered a variety of topics under these agenda items: world and regional economic development, global trade liberalization and the role of the Arab world, the importance of regional economic reform, and future steps for U.S. - Middle East economic and trade cooperation.

Realizing the potential of a U.S. - Middle East free trade area, and the U.S. - Middle East partnership initiative in enhancing the economic and trade cooperation between the two regions and the opportunities they generate for businesses and investment, the Ministers had substantive discussions on the means to advance this process in the near future. At the conclusion of this first meeting, the Ministers expressed satisfaction with the discussions, which demonstrated the value of closer regional consultations and economic cooperation on matters of mutual interest. The Ministers agreed on the value of consulting regularly on matters of common interest and concern, and expressed the hope that the dialogue begun today will continue. Thank you.

SECRETARY POWELL: Thank you very much, Mr. Minister. I'd like to express my thanks to His Majesty for hosting the meeting this morning. It was a very useful meeting and I think a lot of interesting items were discussed, and I was impressed by the enthusiasm that all of the participants had with respect to the initiative to reach a free trade agreement some time in the next ten years. Hopefully we can beat our dead line. Ambassador Zoelick will say a little bit more about our progress there. What struck me was that everybody could see the linkage between the various issues we've been talking about for the last several days. We want peace in the region, but with peace you need economic development or the people will not benefit from that peace, and to get economic development you also need investment in the human capital that exists in the region, and that's why also the Middle East Partnership Initiative is important, so that we can invest in the infrastructure of each of the nations in the region so that young people are getting the kind of education that gives them the skills they need in a twenty-first century economy, not just for low-wage jobs, but, as one of the participants put it, for high-value jobs that bring in good wages and help jump-start the wealth-creation potential of the country.

Peace, economic development, infrastructure development, investing in human capital, breaking down barriers to trade, making sure systems are transparent, making sure that we are in trading systems that rest on the rule of law, and that there is confidence in each of these countries, so that investors will go there with confidence that they will not be putting their capital at risk and get a return on their investment and at the same time invest in the future of their country. And so I was very impressed with the quality of the discussions this morning, and I will now turn it over to my colleague, Ambassador Zoellick.

U.S. TRADE REPRESENTATIVE ROBERT B. ZOELICK: Well, first I want to thank His Majesty, who has been a good friend of the United States, but also a true innovator in so many areas, both economically and politically, for hosting this larger event, but also the breakfast this morning which, I think, gave Colin and I opportunity to talk to a number of Ministers about the President's idea. The genesis of this idea actually came as we were looking towards conflict in Iraq, and we recognized that it was important to not only have a security environment in military terms, but also to use it as a foundation for building opportunity and hope and empowerment in the region. So, the ideas that the President started to discuss in South Carolina were developed by a group of us to try to capture what we hope will be a positive moment. And as part of that, as the President said in South Carolina, he asked me to join Colin to come here to talk about some ideas about trade, but also how trade is linked to development and opportunity. But, equally important, to try to listen and learn from our colleagues, because this is a region, obviously, of vast diversity, countries that are at different stages of reform process, and whatever we do needs to be customized to individual circumstance.

It's also a region, as I'll point out in a speech a little later this morning, but I think a number of you who are traveling with Colin probably won't be around to hear it, I think we tried to provide it to you, it has a real rich history in terms of commerce, and you can see that when the opportunity is provided, people quickly jump to an entrepreneurial spirit. So, the question now is whether we can support those who are the pathfinders. And these are both countries, as well as private individuals. Over the past couple years, I've had a little opportunity to see this. Right after this session, I'm going to be going out with His Majesty to a new investment of a plant, a joint venture with the United States, about a 175 million dollar investment, that probably wouldn't be happening except for our free trade agreement. But, equally important, not far from here you are starting to see software development, including one that I refer to in the speech that is going to have an investment from Microsoft. Cisco Systems is building an academy to try to develop within a two-year program the ability for people to move quickly into software jobs.

A couple of days ago, I was in Bahrain, which is now setting a mark as being one of the first post-oil economies. They have a strategy of developing clusters of service industries. I had the opportunity to visit the Bahraini Institute of Banking and Finance, it was fascinating. I sat in some of the classes, and they are drawing people from all over the Gulf, and what that represents is not only their goal to be a financial center, but also an educational center, as well as health services and other areas. We talked with the

Moroccan Minister, and I referenced the fact that this is not only a question of manufacturing jobs or software jobs, but there is a program that has been supported by AID in Morocco that I visited that has given some 250,000 micro loans, 54 percent of them to women, average loan size only about 240 dollars, but has created a whole new sense of opportunity at the grass-roots level. And the default rate, and I used to be in the finance business, is less than a quarter of 1 percent for these loans. So, there is opportunity throughout the region in both the private and the government sector.

Now, the President's initiative is designed to try to help countries, depending on the stage of their development, engage in the trading system. So, the first step is try to help all countries in this region become members of the World Trade Organization, because this is more than a trade relationship with the United States, countries now will have to operate in the global economy. This includes, particularly, Saudi Arabia, Yemen, Algeria and Lebanon. And I've been encouraged, actually, under Crown Prince Abdullah, Saudi Arabia has signaled increased interest in joining the WTO. We just had a good session with their people in Geneva last week, so we hope to try to support those efforts.

The second element is something called the Generalized System of Preferences. This is a law that was part of the Trade Act of 2002. It has existed before, but it expired, and it provides duty free treatment to some 3500 goods. Some 300 million dollars of trade from this region already qualifies, but a lot more could qualify. So we have to try to help countries understand their ability to take advantage of this program and link business ventures to it.

Third, we have something called a Trade Investment Framework Agreement, and as our Jordanian colleagues know, this was basically the foundation for the Free Trade Agreement. It allows us to understand more of what each country is doing in the way of a reform program. We link business councils to it, we try to solve concrete problems. And, coming out of this meeting, it looks like Oman within one morning is interested and trying to move forward with us on that.

The fourth element is Bilateral Investment Treaties, because as I mentioned in the session that His Majesty held, capital is a coward. It doesn't go where it is afraid, and there are a lot of competitive markets out there. So, if countries want to draw investors, they have to assure that those investors will be fairly treated. For example, we have a Bilateral Investment Treaty with Jordan, as we did before, it's now part of the Free Trade Agreement, and that is one of the reasons I think you are seeing increased capital come in to this country.

Fifth, is the notion of trying to move towards comprehensive free trade agreements. This bears some explanation with people because for many people a free trade agreement is kind of a goal, but they really don't know what is involved. The United States has taken a different approach to Free Trade Agreements to some. They are quite comprehensive. So, it's not just a question of lowering tariffs and quotas on goods, but also agriculture, opening up the services market, intellectual property, transparency and regulation. That is one reason that we have fewer of these agreements, but it also means they are more of

a premium product. They are seen by investors in the business community as a sign of a country that has been very serious about economic reform, and in turn we try to use them to help mesh with a country's economic development program, as we've had with Jordan.

Now, the logic is not just to have individual free trade agreements, the logic would be to try to link them together over time. So, we have one with Jordan, we're negotiating one with Morocco that I think we're on track to finish by the end of this year, and one of the reasons I was in Bahrain a few days ago is that we would like to begin our negotiation with Bahrain after our consultations with Congress early next year. Bahrain has made good progress, I frankly think we are in good shape to get that done within a year. But then, if those examples could draw others, almost as models, then we could start to combine them, for example, we look towards the possibility of countries in the Gulf perhaps joining into the Bahrain Free Trade Agreement, making specialized arrangements for their goods and agriculture but following the basic rules, and that would have a benefit of encouraging regional integration, so that their products to qualify would not have just to come from Bahrain, but may come from Qatar or Oman or from UAE or a combination of that. So we can encourage regional integration in the process, whether in the Gulf, whether in the Maghreb or whether in other parts of the Arab world. And the ultimate goal, as the President said, would be to draw these into the Middle East Free Trade Area. That, of course, depends on the willingness of countries to undertake these reforms.

And, finally, as Secretary Powell mentioned, we know that to really make this work, we need to combine it with targeted aid. People used to argue whether it was trade or aid and in our view the question is how you link trade and aid. The Middle East Partnership Initiative that the State Department is heading is vital in terms of trying to work with USAID and others, in some cases to help countries have the capacity to negotiate a trade agreement or to implement rules on the intellectual property or connect it to some of their other reforms. As you probably know, we spend about a billion dollars a year with the Arab world on aid, and with the Secretary's efforts we're adding about a 100 million dollars this year, perhaps another 140 million or so next year, so one of the purposes of both of us being here is to try to get a sense from others about how to we can customized these efforts to support the reform process.

And, finally, we had a little discussion about the economics with the Palestinian Authority. As many of you may know, since the mid-nineties the Palestinian Authority has actually had a free trade opportunity with the United States, but the questions of security and access have limited it, and that may be a way in which there is some additional economic incentives as people are working for the development of two states living in peace side by side, and we will certainly do what we can to help the State Department in that area. So, the sense I got from the meeting was one of interest. I think we still have explanation, but I'll tell you who will be the best people to explain this, it won't be Colin or I, it will be people like those from Jordan who have already made this work.

JORDANIAN MINISTER OF TRADE AND INDUSTRY SALIH BASHIR: I think I haven't a lot actually to cover after such an excellent exposition of what took place today, but I have to say that there has been a lot of interest by my colleagues, the Ministries of Trade, and also of Foreign Affairs of some of the countries that were present this morning, and I want just to state how enthusiastic we are in Jordan for such an initiative by starting from the point where Ambassador Zoellick has ended. It allows the integration of the bases of production of this region, and to increase the value added of the components that are made among the countries of the region, with an aim to export to the affluent and sophisticated market of the United States. Indeed, we have been among the first comers that entered to the free trade business in this region, and I am happy to say that we have seen excellent results for our economy, for employment and for our people. Not so many years ago, Jordan used to export less than 20 million dollars, probably in 1998 or 1999 to the US market, and we have reached almost half a billion this year. The growth has been outstanding, and indeed the U.S. is our largest trading partners, as of the last month of last year.

Many of the employment, jobs, especially manufacturing, are also attributed to this increase in exports. Free trade is definitely a driver, an agent for acceleration of growth. I'm sure also there are also some requirements of reform that would need to be done among the countries that are willing to engage in this process, but also the significant improvement of the business and investment climate to the countries that engage, and a case at hand is Jordan, where we've seen growth in investment numbers in the first five months of this year, notwithstanding the regional situation. It definitely helps in addressing the employment demand that is increasing by the day in the region, and we have to stress at the last point the need to be thinking about trade and sustainable development underneath compliance in ensuring market access in a world where competition might be addressing lower standards of environment and labor protection. Our agreement with the U.S. has put a standard to be followed as far as the labor and environmental issues are concerned, and I believe it is indeed a major addition to the literature of free trade in this area, and we would like to see that continuing to the future.

QUESTION: Francesca Sawalha from the Jordan Times newspaper. Mr. Secretary, the quartet yesterday said that the Palestinians cannot combat terrorism alone, and they need Israel to actively cooperate, can you be a bit more specific? What would you like to see Israel do, and Mr. Foreign Minister, Jordan already has the FTA with the US, what would you tell those who fear that Jordan could lose a comparative advantage once there is the creation of a Middle East Free Trade area?

SECRETARY POWELL: We are working hard to improve coordination between Israeli security forces and elements and Palestinian Authority security forces and elements, and as we go forward, as we try to achieve the transfer of responsibility for Gaza, let's say, we would hope that both sides would cooperate in identifying terrorists who might be intending to do harm in either direction, sharing information, sharing intelligence. We have seen this done in the past, and we hope to recreate those kinds of mechanisms and organizations so that both sides believe that they have a shared

responsibility to end terrorism and violence that is frustrating the dreams, hopes and desires of both sides.

FOREIGN MINISTER MUASHER: We don't see other free trade agreements as really threatening to our economy, indeed we are now engaged in an (inaudible) process where a number of Arab countries that have individual free trade agreements with the European Union want to get together and harmonize their system so they can make use of cumulative rules of origin and become even more competitive. So, I think I don't want to tread on territory I don't know much about, I'll let Minister Bashir talk about this, but we really do not see this as a threat at all.

MINISTER BASHIR: Free trade is not a zero-sum game, the aggregate of one and one is more than two. We know this very well in business. We have, indeed, engaged with liberalizing all Jordan's foreign trading systems so rapidly in the last several years, and the result was the more the merrier, Jordan's export performance has done so brilliantly in the years 2000, 2001, and 2002, notwithstanding the addition of the countries that we are liberalizing with and expanding to. Indeed, Jordan played a major role in the liberalization of the greater Arab free trade agreement, which would have the effect of increasing competition within our market, and also with our existing market. The result has been always positive, more performance and also a need to reform and increasing productivity that had significant positive impact on our growth numbers and job creation. So, Francesca, enthusiasm as I said, and nothing less.

GEORGE GEDDA, AP: Mr. Secretary, as you know there was an aborted terrorist attempt last night in the territories, four terrorists from the Al Aqsa Brigade having been killed in the process, does this suggest to you that these groups are not taking the cease-fire talk seriously?

SECRETARY POWELL: There are those in Hamas, and the Al Aqsa Brigade and similar organizations that do not want to see progress towards peace, and they will continue to try through terrorist acts to frustrate those efforts and blow up the road map. What we have to do is to continue to work with all parties to press forward to make sure that this does not occur. We cannot let a few individuals, and they really are just a few individuals who are involved in this kind of activity, keep us from moving forward and making progress. Over the last two and a half weeks since the Sharm El Sheikh and Aqaba summits, we have seen progress, we have seen intense discussions between the two sides. Ambassador Wolf is in the region, Ambassador Burns is now in the region and will remain for several more days. Very intense meetings are taking place, they took place over the weekend, they'll be taking place again this afternoon to progress on the security arrangements, and I know that the Palestinian Authority is hard at work trying to bring into place a cessation of violence on the part of these organizations, and we have to keep pressing ahead. That does not mean that we will not have incidents that will come along that will cause people to wonder whether or not we are going to succeed. What we have to do is to keep driving head and not let these incidents keep us off course or stop the progress that I think it is possible to make.

QUESTION (in Arabic): Secretary Powell, the Initiative by President Bush to create a free trade zone between the Middle East and the United States, do you really believe that this initiative will contribute to improving the various economies of the Middle Eastern countries and to promote a better understanding between the United States and the Arab World?

SECRETARY POWELL: Absolutely. That's the reason we're doing it. There is no reason we shouldn't proceed down this road, there is no reason that the benefits that come from free trade that we have seen in our part of the world, through the NAFTA for example, the North American Free Trade Agreement, should not be just as applicable to this part of the world, no reason whatsoever. But now I'm into the portfolio of my good friend Bob Zoellick, and I'm sure he will wish to add a word.

AMBASSADOR ZOELICK: No, I think the Secretary hit the nail exactly on the head. One of the things that I think we are trying to point to is that this is a region that has really fallen behind in global trade. If you look at the numbers, they are predominantly oil, and along with the decreased share of foreign trade has come a decreased point of foreign investment. My job takes me to all corners of the world. I may even travel more than the Secretary does, or at least an equal amount, and I see the possibilities and I see what's happening in Asia, and I see the interest in Latin America, and I see the number of countries that are quite eager to develop free trade agreements with the United States. As Colin knows, they are always talking to him about this. So, we see this is an opportunity, but the nature of the opportunity has to be seized by the people here, and the circumstances vary, as I mentioned. For some countries, they have to first get into the WTO, for some countries they need to move into the middle level. For some countries like Jordan, it is a question of how do we capitalize on the work that we've already done.

And, to answer the other woman's question, the nice thing about economics, as the Minister said, it's really a win-win venture. If we get more growth in this region, it is going to mean more business in Jordan, more opportunities inter-connected. So, we can offer a hand and an opening here, and we can try to help with other initiatives to show people how it can be connected to their own reform process. But the moment has to be seized, and I think the thing that I would most draw one's attention to on this, the President has set a goal of a Middle East Free Trade area, but it's going to have to be built step by step, and the thing that I find encouraging having been through this region some fifteen or twenty years, is you are now starting to find people in the region who are taking the initiative, both government and private sectors, and they will create the models. So people will look to what's happening here in Jordan, they'll look to the fact that under the Qualifying Industrial Zones that were created a few years ago, they now have some thirty thousand jobs here, 70 percent of which are women, often who come from the rural sector that never had those jobs before, and they'll look to what's happening in Bahrain, or in Morocco, and that will be perhaps more important than what the United States can do because people can see the possibilities in the region and then what we hope to try to do is open those doors of opportunities, share our experience as a global trading country

and open our markets. And that at the end of the day helps both of us, because it means lower price goods for our consumers, and it means more opportunity here.

QUESTION: Neil King, Wall Street Journal. This may be a bit down the road, but I wanted to ask the question of Ambassador Zoellick. When it comes to Iraq, obviously the United States is in the unusual position of being able to write its rules and fix its own trade policy from the inside, essentially. Is there going to be some concerted effort to do that in a way in Iraq where we might actually end up having some of these various trade agreements or a sort of special trade relationship with Iraq well before we are going to have one with a number of these other countries in the region?

AMBASSADOR ZOELLICK: Well, obviously the decisions in Iraq will ultimately be made by the people in a sovereign Iraq. We hope to create the opportunity. I understand from what Colin mentioned that Jerry Bremer was here talking about the efforts including on the economic side, but, at least as I see it, having dealt with this work for some twenty years, is that first you have to establish security, and that's in the process of going forward. Second there were basic humanitarian needs, and I think a number of those have been met. In some ways, there were fewer demands than people expected. Third, there is a reconstruction effort, and the United States is already starting to put sizable sums of money into reconstruction, and that will help create jobs.

Fourth, obviously get the oil flowing, additional revenues. Fifth, deal with some of the debt issues, because remains a serious overhang on the economy, and then in the process, connect to what you were talking about, Neil. We've already thought about making sure they get brought in the GSP program that I've mentioned, to start out with the preference program, and the next step, frankly, is to bring them into the WTO. But, if the new government in Iraq ultimately decides that they would like to have a free trade agreement with the United States, I think it would send a wonderful signal, and I think it would help give further impetus to what we're developing here.

SECRETARY POWELL: Just to add a p.s. to that, as Bob said, it is up to the people of Iraq ultimately to make that judgment, and we are also very careful as we move forward, and I think Jerry might have touched on this yesterday. That, as the occupying authority, the occupying power, we have to be careful with respect to the development of rules and regulations and laws for that country, or changing existing rules and regulations and laws, regardless of the nature of the previous regime, and we are very careful to make sure we walk a fine line that is dictated by international law and the Hague and Geneva conventions.

Thank you.