

Press Conference
U.S. Trade Representative Robert B. Zoellick and
Bahraini Minister of Finance and National Economy Abdulla Hassan Saif
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ZOELLICK: Good afternoon and thank you for coming. I am pleased to be here with my colleague, Bahraini Minister of Finance and National Economy Abdulla Hassan Saif, to announce we have successfully concluded talks for a Free Trade Agreement between the United States and Bahrain.

Bahrain has long been an important ally of the United States in the Persian Gulf, and that's well known to anyone who has served in the Navy's Fifth Fleet, which has been based in Bahrain since that fleet was reestablished in 1995. However, Bahrain has also earned a great deal of respect for a set of very different reasons.

As a moderate Arab state that is a beacon of economic, political and social reform in the Middle East. As a nation that is firmly determined to make a new future for itself in the post-oil economy of the 21st Century and as an emerging hub of finance and distribution in the Persian Gulf region.

In March, when I announced the creation of a Congressional coalition in support of the Bahrain free trade talks, I explained that Bahrain hoped to complete these negotiations by the fall and I said at the time that I thought that schedule was ambitious.

Well as it turned out, the schedule was ambitious, but Bahrain was even more ambitious. So we finished earlier than we had expected to, and in a large part because Minister Saif and his government which moved decisively to embrace open trade and free markets. Minister Saif's aggressive leadership as part of his team also back in Bahrain is an example for leaders around the world and I want to compliment him for the honor of having a chance to work with him.

And the result is that we now have a ground-breaking free trade agreement that will benefit both our peoples.

Our two-way trade was nearly \$900 million in 2003 and on the very first day of this agreement, 100 percent of consumer and industrial goods 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 about half a billion dollars. This new trade opening will expand opportunities for exports of aircraft, machinery, vehicles, pharmaceutical, sports equipment.

This agreement also will provide new opportunities for U.S. services firms including to the area of banking, insurance, securities, and telecommunications. U.S. farmers will be able to expand their existing exports of meats, fruit and vegetables, cereals and dairy products.

But this agreement is about more than opening trade with a friend and ally in the Persian Gulf as important as that is. Bahrain's leaders, including Minister Saif, are reformers in a region that is searching for the fresh wind of new ideas.

Just this week, President Bush spoke to the American people about the purpose and the power of freedom to change lives in the greater Middle East. For those in the greater Middle East – such as Bahrain – who want to return hope to their lands, America's economic hand of partnership can strengthen their success.

Bahrain's reforms – including opportunities for women, the privatization of state-owned businesses, and a new parliament – have only begun as this nation aims to turn itself into a regional economic and financial nerve center.

When I had the opportunity to visit Bahrain last year and meet His Majesty King Al-Khalifa, I was impressed with the depth of the government's commitment to economic reform. From across the region I had the opportunity to see that young people eager to work in an emerging financial services sector come to Bahrain to study at the institutes and learn how things are done. And I saw that American businesses are made to feel at home in a country that welcomes new ideas and new ways of doing things.

That's why Bahrain is a key part of President Bush's broader vision of a Middle East Free Trade Area that will help “bring the Middle East into an expanding circle of opportunity.” Indeed, the U.S.-Bahrain FTA is a pacesetter that is already showing the way to implement the President's initiatives for building prosperity, opportunity and hope in the Middle East. This free trade agreement with Bahrain will build on our existing FTA with a rapidly modernizing Jordan, and the FTA with a reforming Morocco that we were going to sign now in two weeks. As we had hoped, this FTA with Bahrain is already having a positive effect on other countries in the gulf region.

Since we announced the negotiations with Bahrain last year, we have added Trade and Investment Facilitation Agreements, TIFAs, with five gulf partners. We now have TIFAs, which are the foundation of our work on Free Trade Agreements, with Algeria, Egypt, Kuwait, Saudi Arabia, Tunisia, the United Arab Emirates, Qatar, Yemen and soon Oman.

More broadly, this agreement is another important step in America's persistent drive to open markets for both developed and developing countries. Last week, we signed a historic Free Trade Agreement with Australia. Two days ago we announced that we're gonna sign a Free Trade Agreement with Morocco on June 11th. Today, we've concluded negotiations with Bahrain. And tomorrow, we are going to sign the U.S.-Central American Free Trade Agreement.

And more are on the way. We've launched negotiations with Panama, the Andean nations, and soon with Thailand. And my recent meetings in London and Paris have helped spur new

momentum in a global round of Doha negotiations of the WTO. With countries large and small, developed and developing, the administration's trade agenda is moving relentlessly forward.

Now to accomplish all these things, obviously, the key is to have an extraordinary team which I am fortunate to do. So I particularly want to thank the lead negotiator, Cathy Novelli, whose creativity, hard preparatory work, as well as persistent optimism has managed to speed this free trade negotiation to such a swift and successful conclusion. And I also want to thank Jason Buntin who of course served as the key driver for Cathy.

I'm also glad to see that we have members of U.S.-Bahrain Business Coalition here today. We depend on businesses and workers to tell their stories of trade success, and we deeply appreciate your support. Congress needs to know how important trade opportunities will be to expanding U.S. jobs.

And though they are not here today, I'd like to thank Congressmen Paul Ryan and Jim Turner, who are providing crucial leadership that will turn our negotiations into an agreement that is passed by the U.S. Congress.

For decades, the United States and Bahrain have shared an interest in peace and stability in the Middle East. Now we have the opportunity to embark on a new chapter in our relationship. As we deepen our relationship with a new level of economic openness, we put forward this agreement – and this friendship – as a shining example for others to follow. Thank you.

SAIF: Thank you Ambassador Zoellick, I think you have left me little to say on the subject. (Laughter) Ladies and gentlemen, let me start to thank you very much for joining us today on this historical breakthrough which is the conclusion of the free trade agreement negotiation between the Kingdom of Bahrain and the United States. And also I would like to thank you, Ambassador Zoellick, for your leadership and dedication to completing this high quality free trade agreement between our two countries. I would also like to acknowledge the leader U.S. negotiator, Catherine Novelli as well as the negotiating team from both countries for their tireless efforts.

This groundbreaking agreement is reason for both countries to celebrate our friendship that has entered a century. This is truly an historical day for the Kingdom of Bahrain and the United States that we'll be proud of. Our success is the result of a strong commitment by the leadership in both countries to produce a comprehensive agreement that hopefully will benefit the people of America and Bahrain.

This Free Trade Agreement provide essential tools and will fortify our two nations' political, economic, culture, and strategic partnership. We are grateful and encouraged by the tremendous show of support for this Free Trade Agreement with the United States in particular from the business community some of whom are here today sharing this historical moment today. We are also grateful for the support we received from the Congress for this creation of a strong caucus supporting this agreement. As the financial capital of the Middle East this agreement firmly positions Bahrain as a gateway to the gulf. Our country has the GDP of more than 900 billion

collectively in the region and provided trading access to about 1.3 billion in the surrounding region.

I would also like to extend our thanks and appreciation to the staff of both embassies in Washington and Manama. Their diligent work and assistance on this agreement was most helpful. Additionally, the work of the office of the Bahrain Economic Representative in Washington has made this crucial to achieving this agreement. I am proud to stand here today on behalf of the government and its citizen to celebrate this breakthrough and momentous moment. I thank you again for being here today and sharing this moment with us and God bless.

ZOELLICK: We would be pleased to take some questions.

QUESTION: Sam Gilston with Washington Tariff and Trade Letter. The latest report from the Commerce Department shows that there are Bahraini companies that are still seeking information from American companies about their dealings with Israel and Israeli suppliers. Is there anything in this agreement that prevents Bahrainian companies from seeking boycott information about Israel and what is Bahrain's plans for ending the boycott of Israel which is also a free trade partner with the United States?

SAIF: Thank you sir. As you are aware that this is a bilateral agreement between the United State and Bahrain. And also I think Bahrain as a member of the Arab league is really complying with the boycott in a way that, first of all, the boycott process has almost been receding so Bahrain does not object to have a business relationship with the United States companies or corporations that has any relationship with Israel or any other country. So that is, if I have answered your question.

QUESTION: (unintelligible)

SAIF: There was an agreement between two countries and I think as far as your point whether any US companies that has relationship with Israeli entities, whether Bahrain object to trade with such US companies, the answer is no.

ZOELLICK: And just to underscore that. When I visited Bahrain that was a point that I raised and discussed with the minister and other officials so there would be no application of any boycott against any of the US firms. And, of course, since Bahrain and Israel are also both members of the WTO there's also restrictions on any boycott in a global sense. But that was a point that we discussed when I was in Bahrain.

QUESTION: Ted Alden from the Financial Times. You've probably seen that a lot of the opponents of the Central American Free Trade Agreement, which you're signing tomorrow, have been out today. I'm wondering, given the strong position that the administration has taken so far in this campaign on trade, why not push the CAFTA agreement up through Congress this year and try to make a point against the critics saying, yes indeed, there is support for this agreement, even in an election year?

ZOELLICK: Well first, let me comment on some of the opposition you've heard today. It's very interesting, you know, we will have a chance tomorrow to see ministers from five democracies. And I was in a meeting with President Bush today with President Flores of El Salvador who, of course, leaves office on June 1. President Flores talked about how, in the campaign in El Salvador, the issue of free trade was a core issue and the reigning party won decisively. So as we've negotiated this agreement you've also seen an election in Guatemala and one in the Dominican Republic which have had change of parties in government but the parties that have won have emphasized support for the Free Trade Agreement. So, you'll pardon me if I have a little bit of an ironic smile, when primarily people from the United States decide to tell democracies in Central America what's good for them. We used to call that imperialism. And so to me this is a wonderful example of how people who claim to be concerned about poor, developing countries in fact have some other agenda and are unwilling to allow democracies in the developing world to speak for themselves. We take the other side of that.

Now on the timing, Ted, as you know, we also wanted to include the Dominican Republic. And this dates back to the process that frankly the five Central American countries were further ahead in terms of the reform process but to credit President Mejia and his team, they quickly moved so that we wanted to try to add them. Under the TPA rules it had been first my hope that we would have gotten the members of Congress to allow us to put up the notice for Central America to cover the Dominican Republic. Some of the critics of the agreement said no, they'll short circuit the process. And so we still have to wait until, I think it's sometime late in June, so you're probably looking after the July Fourth recess to be able to have the signed element with the Dominican Republic although they will be here with us tomorrow. At that point, what do we have? Maybe five weeks at best you know in the calendar before the election. And, just to recall for people because they may not have all the sense of details, we have to have a hearing in the House and in Senate, we have to have an informal markup process before we submit the implementing legislation, we then have to have a formal markup and you have to have votes in both bodies.

So, frankly, one is running out of time for that and so that's why we are trying to press Australia even through that window given the widespread support for it and I hope that Morocco too. Although, given the fact that the work we have to do on the legal scrub on Morocco after the signing will mean that it will be hard to see how that one gets done before the August recess. But there's a broader point and that is that we clearly face even more opposition on CAFTA. And, you know, this is an election year. As the Washington Post said today, we've got the major opponent not only saying that he opposes the agreement, but I saw, at least, what he told the teamsters convention, an interesting area to talk about foreign policy and trade, that he'd veto the agreement. So, it makes it harder to get support from the opposition party in that. And as we always do when we wage for these Free Trade Agreements, we've got people who, you know, are worried to support trade, particularly in an election year and so we lose some on our party, although we'll certainly get the majority of support there by far.

So the combination of the short window plus the opposition means that what we're going to try to do for the rest of the year is move through as many agreements as we can. You know, my hope is that will be Australia, I hope we get Morocco and I hope that we set up the CAFTA plus the Dominican Republic and, you know, I have to be a relentless optimist on this job, Ted, so I

even hope that there will be some session after the election maybe we can get that through. The Central American leaders will have a chance to speak for themselves but I was talking about his with Minister Saif on the way over. What is so striking is to see leaders that are committed to reform and openness economically and politically in their own countries. And yes, these countries are small, although they make great, important market opportunities, we have 32 billion dollars of trade with Central America, but what I hope the United States stands for, is helping developing countries, whether they're in the Muslim Arab world or whether they are in our own hemisphere, who want to do the right thing, who want to turn to openness and democracy and add to the rule of law.

Both Minister Saif and Minister Lacayo, from two very different parts of the world, have made a point to me that I really think is worth stressing, which is that for reformist leaders they use these free trade agreements as catalysts to build the rule of law in their own country. And so the United States has interest in developing countries establishing the rule of law and open societies. So that's one reason, you know, even though it's an election year we're moving four square ahead and trying to get done as much as we can.

QUESTION: Mark Drajem from Bloomberg. Just following up on the CAFTA question. At least four states have written you recently and pulled out of their commitment on the government procurement under CAFTA. To what degree do you believe that represents a backlash against offshoring and what do you plan to do about these states pulling back?

ZOELLICK: Well, we live in a federal system with the Tenth amendment, so the best that we can try to do is to seek to have the states join with us. And does it represent a trend toward economic isolationism? Yes, it does. And, you know, it's very clear some of the groups, that I'm sure you track, that are trying to work the governors offices on these issues. We're pleased that there are other state houses that are staying and support. The business community has worked with a number of the states. The legislators and the governors to try to maintain support for openness, and that's an issue that I've talked about here with Chris Padilla and others on my staff how we're going to have to work more with the business community to try to make sure that the states recognize they are the businesses of the United States don't live in Washington. They live in each of these states and they're the ones who gain the benefits from these agreements.

QUESTION: Doug Palmer with Reuters. Returning to the Middle East. One of the countries you're negotiating with is Saudi Arabia on its' accession to join the WTO. You might be aware that some Democrats in Congress have recently called, have urged, the administration to bring a WTO case against OPEC. I just wondered if you could explain do you think it's theoretically possible to use the WTO to get at OPEC. And also I just wondered, is Saudi Arabia's membership in OPEC in anyway an obstacle for them joining the WTO and having a Free Trade Agreement with the United States?

ZOELLICK: It's...under WTO rules in general there's no apparent basis to be able to compel people to sell things. And you know, if you turned the table, would the United States like it if someone said we must sell something to somebody else? So there are rules which we are pursuing now with China and others about restraints in terms of exports, in terms of taxes, or

other limitations. For example, the matter we're dealing with China coke that both the EU and we have weighed in with. But that's a question of discrimination in terms of the sale. It would be like somebody coming to the United States and saying you know we must dig up more of this metal or that metal or produce more of this or that product. But, our discussions with the Saudis are focusing on making sure that they meet the requirements of WTO accession and that's including the basic steps to open their market. We have some issues particularly dealing with the financial services sector that have been stumbling blocks. The Saudi government has shown more interest in movement this year, but I think we still have a ways to go.

QUESTION: Corey Henry Inside US Trade. As part of the broader Middle East Free Trade Agreement Association Area, I'm not sure exactly what the terminology here exactly at the minute is, what's the next step here? You've finished with Bahrain, you already have Morocco in place. Is it another FTA with a Gulf partner and then a series of FTAs with other countries in the region and then try to link them all together somehow? I'm just curious where you go from here. And with respect to Bahrain, would you envision a Congressional movement on this agreement possibly in a lame duck session this year or maybe early next year?

ZOELLICK: Well there's a number of questions embedded in there so let me start. The first step is, as you probably know, under the Trade Promotion Authorities we need to send notice to Congress that must lie over ninety days before the signing of any agreement. And the president is about ready to leave for, you know, a number of trips in Europe so I hope that we can have that notice, you know, sometime soon in June so we can start the process running.

Beyond that, you know, we hope to take up Bahrain as soon as we can and so that, it's a little hypothetical. But, you know, there may be some possibility that some of these become grouped together too. We talked about that with some of the chairs of the Ways and Means and Finance Committee. As for where we go more generally, when obviously, you know we have to get Morocco passed too which is another part of this, what has been encouraging is the affect of these negotiations on other countries.

I noted in the remarks that I think we've had five additional TIFA partners. Cathy Novelli has been working particularly close with UAE as a potential Free Trade Agreement negotiation in the Gulf. There are others that, you know, might be getting pretty close to the category. And from the start we've talked with Minister Saif, and I very much appreciate his openness to this is to take the concept of drawing those countries into the Bahrain structure just as we did with the Dominican Republic and CAFTA. Now that allowed us to get the Dominican Republic negotiations done in about three months using the CAFTA structure. So we hope this will be beneficial for the region but it also creates the right incentives for countries in the Gulf and helps create some additional regional integration. The Minister and I have talked about this as a concept is that the way the United States has tried to do this is to have flagship agreements if you will, some models that have very high standards. And this agreement, when you have a chance to look at the facts sheet has very high standards in terms of openness and transparency in services and intellectual property. And so we want to try to draw others up as opposed to just do sort of a general negotiation with the Gulf Cooperation Council.

We see a similar sense of interest in the Maghreb. Tunisia has been making some very important economic reforms so they, I hope, might be another candidate that we can look to. We always had hopes in Egypt if we can get that reform process on track. So that would be another compliment in the heart of the Middle East. So the concept that the President set out with the Middle East Free Trade area is, to frankly, find leaders in the Maghreb and the Gulf, and obviously with Jordan in the heart of (unintelligible) is in a sense magnets that can draw others. And what I'm encouraged is we're making good pace with the flagship model agreements and now we're getting very strong interest from others to follow.

So, again, it's one reason why, looking ahead, we now have Free Trade Agreements done I think in this administration with 12 countries if I recall and we are in the process of negotiating with 10 more. And obviously, we want to try to keep that momentum up so that in early in 2005 we can have another set. And maybe, we'll have to talk about this with the Congress the appropriate approach would be to batch those for passage. Now, ultimately we're going to have to extend Trade Promotional Authority too. And this is why elections are about key differences. The primary opponent hasn't decided whether he wants to extend Trade Promotion Authority. From my experience and for those of you that have covered this subject, it's pretty hard to have it unless you fight for it.

QUESTION: Jessica (unintelligible) from CNN. Given NAFTA's track record ten years after it's been implemented, that we're currently running a large trade deficit with Mexico, why do you think CAFTA will do better and why are you pushing for it now?

ZOELLICK: Because when I look toward Mexico what I see is a democracy that didn't exist before. I see a much healthier economy that bounced back from a financial crisis and I see a North America that is far better positioned to compete with others around the world, as well as a doubling of U.S. exports and a doubling of Mexico's exports. So, the nature of trade is not a zero sum exchange, where we lose when others sell to us. When Mexico or Bahrain sell to us, they also grow, and they will buy more and that ultimately helps create an economy where the United States can focus on services and on agriculture and others can focus on other aspects and the nature of the global economy is now one where we have to strengthen our ability to compete which is what these agreements help us to do and are also strengthening that of developing countries. Along the way, and this is part of the message of this agreement with Bahrain or Morocco or CAFTA with Central America, is we're helping reformist governments open up their society. If you visit Bahrain you'll have a chance to see the role of women in Bahraini society. You won't find that in many other Arab countries and it's a very important development that's part of a more open economic and political system.

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