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July 9, 2004

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Zoellick:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Industry Trade Advisory Committee (ITAC 2 Automotive Equipment and Capital Goods) regarding the U.S.-Bahrain Free Trade Agreement, reflecting the full consensus of the Committee on the proposed Agreement.

We want to thank the Administration and the Office of the U.S. Trade Representative for their excellent work in negotiating the Agreement.

Sincerely yours,
Industry Trade Advisory Committee
(ITAC 2 Automotive Equipment and Capital Goods)

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THE U.S.-Bahrain FREE TRADE AGREEMENT (FTA)

**Report of the
Industry Trade Advisory Committee
(ITAC 2 Automotive Equipment and Capital Goods)**

July 2004

**Industry Trade Advisory Committee
(ITAC 2 Automotive Equipment and Capital Goods)
Advisory Committee Report to the President, the Congress, and the United States Trade
Representative on the U.S.-Bahrain Free Trade Agreement (FTA)**

I. Purpose of the Committee Report

The purpose of this report is to provide the consensus advice of the Industry Trade Advisory Committee (ITAC 2 Automotive Equipment and Capital Goods) regarding the U.S.-Bahrain Free Trade Agreement.

II. Executive Summary of Committee Report

The U.S.-Bahrain Free Trade Agreement (FTA), as concluded between the two governments and shared with members of ITAC 2, provides for the elimination of tariff and non-tariff barriers to free trade between the United States and Bahrain in a manner that provides for equity and reciprocity within the primary sectoral area represented by the Committee: automotive equipment and capital goods. ITAC 2 members agree that the U.S.-Bahrain FTA will increase export opportunities for American capital goods in Bahrain, while fostering improved protection of U.S. intellectual property and market access for American capital goods in Bahrain.

ITAC 2 thanks the Administration and its negotiators for the outstanding work on behalf of US industry and workers in having successfully negotiated the immediate elimination of tariffs for products. This immediate elimination of tariffs on US products entering Bahrain benefits all the sectors represented by ITAC 2, including automotive vehicles, oil field equipment, machine tools, industrial controls, construction equipment, mining machinery, bearings, electrical machinery and auto parts. ITAC 2 is also pleased with the existing investor-state agreement and thanks the Administration for keeping this excellent agreement in force. The BIT and the immediate elimination of tariffs establish an excellent precedent for future Free Trade Agreements. We are in full support of the overall Agreement.

Key areas within the negotiated agreement of interest to ITAC 2 members include:

- Elimination of tariffs on products;
- Investor-state dispute settlement;
- Rules of Origin.

III. Brief Description of the Mandate of ITAC 2

The mandate of the Committee is to advise the Secretary and the USTR concerning the trade matters referred to in Sections 101, 102, and 124 of the Trade Act of 1974, as amended; with respect to the operation of any trade agreement once entered into; and with respect to other matters arising in connection with the development, implementation and administration of the trade policy of the United States including those matters referred to in Reorganization Plan Number 3 of 1979 and

Executive Order 12188, and the priorities for actions thereunder. The Committee also performs such functions and duties and prepares reports as required by Section 135 of the Trade Act of 1974, as amended, with respect to the sector and functional advisory committees.

In particular, the Committee provides detailed policy and technical advice, information, and recommendations to the Secretary of Commerce and the USTR regarding trade barriers and implementation of trade agreements negotiated under Sections 101 or 102 of the Trade Act of 1974, as amended, and Sections 1102 and 1103 of the 1988 Trade Act, which affect the products of the capital goods sector; and performs such other advisory functions relevant to U.S. trade policy as may be requested by the Secretary and the USTR or their designees.

The current membership of ITAC 2 includes representatives of companies and trade associations representing U.S. manufacturers of a range of automotive equipment and capital goods including automotive, truck, and engine manufacturers, oil field equipment, machine tools, industrial controls, construction equipment, mining machinery, bearings, electrical machinery and their components.

IV. Negotiating Objectives and Priorities of ITAC 2

The negotiating objectives of ITAC 2 included:

- Full elimination of all Bahrain tariffs on products within the scope of ITAC 2;
- Investor-state dispute settlement mechanism.
- Rules of Origin

V. Advisory Committee Opinion on Agreement

Market Access - Industrial Goods

ITAC 2 believes that the provisions on Bahrain tariffs fully satisfy the Committee's negotiating objectives.

Investor-State

ITAC 2 notes that the preexisting Agreement on investor-state investment remains in effect and provides the necessary and proper protection mechanisms for the parties. The Administration made the correct decision to keep the existing Bilateral Investment Treaty between the parties. It is this type of dispute resolution that should be the basis for all FTA's.

Rules of Origin

ITAC 2 notes that the Agreement (Chapter 4, Annex 4.1.-4.4) does not contain product-specific rules of origin for automotive products. Although such an omission is acceptable for this Agreement, ITAC 2 believes that if the individual FTAs in this region are combined, the broader Agreement should include product-specific rules of origin, including for the automotive sector.

All members of ITAC 2 reviewed this report and concluded that the U.S.-Bahrain Free Trade Agreement provides for the trade liberalization between the United States and Bahrain in a manner that provides for equity and reciprocity within the automotive equipment and capital goods sectors represented by the Committee. ITAC 2 members agree that the U.S.-Bahrain FTA will increase the export opportunities for its industries.

VI. Membership of Committee

Members of ITAC 2 include:

- Mr. **David W. Danjczek**, Vice President, Administration and Corporate Secretary, Manufacturers Alliance/MAPI (Chairman)
- Mr. **Brian Petty**, Senior Vice President, Government Affairs, International Association of Drilling Contractors (Vice-Chairman)
- Mr. **Steven J. Collins**, President, Automotive Trade Policy Council (Vice Chairman)
- Mr. **Durga Agrawal**, President, Piping Technology & Products, Inc.
- Mr. **Gary Devlin**, Director of Surface Marketing, Cooper Cameron Corporation
- Mr. **Thomas M. Egan**, Director of Marketing, Packaging Machinery Manufacturers Institute
- Mr. **David Gridley**, Consultant, DDG Associates
- Ms. **Leslie Hennessy**, Vice President, Strategic Planning and New Business, Lovejoy, Inc.
- Mr. **Jon Jenson**, President Emeritus, Precision Metalforming Association
- Mr. **Leo P. Kadrick**, Vice President Government Affairs and Trade, Automotive Aftermarket Industry Association
- Mr. **William Lane**, Washington Director, Governmental Affairs, Caterpillar, Inc.
- Mr. **Stephen Latin-Kasper**, Director Market Research, National Truck Equipment Association
- Mr. **Curtis N. Magleby**, Legislative Manager, Ford Motor Company
- Mr. **Robert McDonald**, Vice President, Government Affairs, Emerson Electric Company
- Mr. **Patrick McGibbon**, Vice President, Industry Marketing Services, Association for Manufacturing Technology
- Mr. **John Meakem**, Manager, International Trade, National Electrical Manufacturers Association
- Dr. **G. Mustafa Mohatarem**, Chief Economist, General Motors Corporation
- Mr. **Robert S. Perkins**, Vice President Marketing and Business Development, Jacobs Vehicle Systems
- Mr. **John W. Rauber, Jr.**, Director International Affairs, Deere & Company
- Ms. **Linda M. Spencer**, Director of International and Government Relations, Speciality Equipment Market Association
- Mr. **Patrick Thompson**, President, Trans-Matic Manufacturing Company, Inc.
- Mr. **Thomas L. Trueblood**, Director Green Diesel Technology Public Affairs, International Truck and Engine Corporation
- Mr. **Franklin Vargo**, Vice President, International Economic Affairs, National Association of Manufacturers
- Ms. **L. Ann Wilson**, Senior Vice President Government Affairs, Rubber Manufacturers Association
- Mr. **Nick Yaksich**, Vice President, Government Affairs, Association of Equipment Manufacturers