

Bahrain, U.S. Ink Accord on Trade

By Jeffrey Sparshott
THE WASHINGTON TIMES
Published September 15, 2004

The Bush administration's top trade official yesterday signed a free-trade agreement with Bahrain, touting the pact with the small Persian Gulf nation as a part of a larger effort to encourage economic reform and ultimately promote liberty in the volatile region.

President Bush in May 2003 outlined a 10-year plan to create a U.S.-Middle East Free Trade Area to help expand economic opportunity in the Muslim societies.

The administration considers Bahrain an important step toward that broader goal and a clear signal that it will reward countries pursuing economic reform and joining the war on terror.

"This is a contest for the soul of Islam. Only Muslims will determine the outcome, but we can help," U.S. Trade Representative Robert B. Zoellick said.

The United States already has free-trade agreements with Israel, Jordan and Morocco, and yesterday Mr. Zoellick said the United Arab Emirates and Oman, both located on the Arabian Peninsula, are the next likely candidates.

The agreements generally require elimination of most tariffs, as well as economic reforms that open up economies to trade and create clearer and more investor-friendly regulations.

The Middle East, a vast area that spans from Morocco to Iran, is generally poorly connected to the world economy, with limited outside investment and two-way trade.

The 9/11 commission, officially the National Commission on Terrorist Attacks Upon the United States, specifically cited the Middle East trade proposal and recommended "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."

Bahrain, home to the U.S. 5th Fleet, is a tiny island kingdom, geographically about 3½ times the size of the District. Its population is about 678,000.

U.S.-Bahraini trade last year was less than \$900 million, about 0.04 percent of the U.S. total. Leading U.S. exports include farm and food products, aircraft, military hardware and oil equipment, while leading Bahraini exports include apparel, aluminum and chemicals.

The administration has not formally started free-trade agreement talks with the region's most populous countries, such as Egypt.

"Basically the administration is picking low-hanging fruit, where significant reform already has been undertaken, and the volume and nature of trade very simple," said Tamara Wittes, research

fellow at the Brookings Institution, a Washington think tank.

"They haven't figured out how to tackle negotiations with countries that have more diverse economies and higher [political] hurdles," she said.

Congress still must approve the U.S.-Bahraini agreement, and Mr. Bush must sign it into law.

Sen. Charles E. Grassley of Iowa, a key Republican voice on trade issues, said he would like Congress to approve the agreement "as soon as possible." But Montana Sen. Max Baucus, a leading Democrat on trade issues, said the pact should not be rushed through Congress before it adjourns in October.

Congress is likely to meet in a postelection, lame-duck session in December.

Like the agreement with Morocco, the pact with Bahrain faces little opposition.