

July 14, 2004

The President  
The White House  
Washington D.C. 20500

Dear Mr. President:

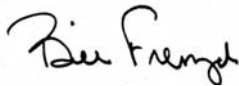
Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Advisory Committee for Trade Policy and Negotiations (ACTPN) on the U.S. - Bahrain Free Trade Agreement.

The ACTPN unanimously endorses the U.S. – Bahrain Free Trade Agreement (the FTA). We believe the agreement meets the negotiating objectives laid out in the Trade Act of 2002, and that it is in the best economic interest of the United States. We also believe the FTA is a comprehensive agreement that not only will benefit the U.S. and Bahraini economies and employment opportunities, but also will add to the strong base on which additional bilateral or regional agreements may be built.

The ACTPN sees this agreement as a further important step toward the creation of a Middle East Free Trade Area and believes the agreement will help promote improved and strengthened relations between the United States and the countries in the Middle East.

The FTA should be enacted into law as soon as possible, so American farms, factories, services providers, and consumers can begin to receive the benefits of this agreement at the earliest possible date.

Sincerely,



Bill Frenzel  
Chairman  
Advisory Committee for Trade Policy and Negotiations

**The U.S. – Bahrain Free Trade Agreement (FTA)**

**The Report of the  
Advisory Committee  
for Trade Policy and Negotiations  
(ACTPN)**

**July 14, 2004**

**The Advisory Committee  
for Trade Policy and Negotiations (ACTPN)**

**Report to the President, the Congress,  
and the United States Trade Representative on the**

**U.S.-Bahrain Free Trade Agreement**

**I. Preface**

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(I) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement. Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations must include an advisory opinion as to whether, and to what extent, the agreement promotes the economic interests of the United States and achieves the applicable overall and principal negotiating objectives set forth in the Trade Act of 2002.

Pursuant to these requirements, the Advisory Committee for Trade Policy and Negotiations hereby submits its report.

**II. Executive Summary of Committee Report**

The ACTPN unanimously believes the U.S.-Bahrain Free Trade Agreement (FTA) fully meets the negotiating principles and objectives laid out in the Trade Act of 2002 and believes the FTA is strongly in the interest of the United States. It is an excellent agreement that will improve market access for American goods, services and agricultural products in Bahrain. It will provide lower-cost U.S. producer and consumer access to Bahraini goods and services, and will do so in a manner that does not disrupt the U.S. economy. Adequate transition and adjustment times have been built into the agreement.

The agreement advances the high standards of earlier agreements and contains provisions that will expand trade and economic relations between Bahrain and the United States. In addition, it contains effective enforcement mechanisms and new consultation mechanisms to expand possibilities for improving trade cooperation and heading off disputes.

The FTA incorporates labor and environmental protections into the body of the agreement to ensure that neither party fails to enforce its environmental and labor laws in a manner affecting trade between them. Additionally, the FTA makes significant advances in protecting intellectual property, providing improved business facilitation and state-of-the-art treatment for new forms of doing business, including e-commerce. As the United States has had an excellent Bilateral Investment Treaty with Bahrain since 2001, there is no need for the FTA to address investment.

The ACTPN strongly believes this agreement to be in the U.S. interest and to be an incentive for additional bilateral and regional agreements. The ACTPN believes that, together with the existing agreements with Jordan and Israel and the pending agreement with Morocco, the Bahrain FTA will serve as a catalyst for yet more agreements in the Middle East. This is a significant step in the U.S. goal of creating a Middle East Free Trade Area -- which, in the view of the ACTPN, is an extremely important objective both economically and politically. We urge quick adoption and implementation of the Bahrain agreement.

### **III. Description of the Committee**

The Advisory Committee for Trade Policy and Negotiations (ACTPN) is the U.S. government's senior trade advisory panel. It was established to provide the U.S. Trade Representative with policy advice on: (1) matters concerning objectives and bargaining positions of proposed trade agreements; (2) the implementation of trade agreements once they are in force; and (3) other matters arising in connection with the trade policy of the United States. The ACTPN provides an overview of trade policy and issues. Advice on matters affecting individual sectors or policy areas is expected to be provided by several Policy Advisory Committees in the areas of defense, agriculture, labor and environment, the Industry Sector Advisory Committees (ISACs), and Industry Functional Advisory Committees (IFACs).

In keeping with its broad charter, the membership of the ACTPN is representative of key economic sectors affected by trade. Members are drawn from business, industry, labor, agriculture, small business, service industries, retailers, and consumer interests. The membership of the ACTPN is appended to this report.

### **IV. Advisory Committee Opinion on Agreement**

The ACTPN ("the committee") unanimously endorses the U.S. – Bahrain Free Trade Agreement (the FTA or "the agreement") as negotiated by the President's U.S. Trade Representative. Our report draws on the views of all ACTPN members, representing a broad spectrum of trade-related industries and interests. We believe the agreement strongly promotes the economic interests of the United States and fully achieves the overall and principal negotiating objectives set forth in the Trade Act of 2002.

We believe that the FTA is a comprehensive and valuable agreement that benefits American firms and workers and also complements ongoing regional and multilateral trade and investment liberalization efforts. We believe the FTA will substantially improve market access in Bahrain for American industrial and agricultural goods and services.

Bahrain is a small, well to do country that imports about \$5 billion annually. The United States currently exports about \$500 million annually to Bahrain and imports about \$400 million. Leading U.S. exports include aircraft and machinery.

The ACTPN believes that, in addition to significant market opening for U.S. goods and services, the FTA will make the close relationship with Bahrain even closer and will advance the President's program for a Middle East Free Trade Area. This agreement will add substantially to the development of FTAs in the Middle East and an overall Middle Eastern Trade Agreement. The carefully-negotiated agreement with Bahrain not only continues the high standard of other U.S. agreements but actually improves on this standard.

The committee also believes that the economic interests of the United States are advanced on the import side of the agreement. Consumers will benefit from trade liberalization, and the staging of U.S. liberalization has taken account of the need of sensitive sectors to adjust to the reduction and eventual elimination of trade barriers to Bahraini goods and services.

The ACTPN's more detailed views on parts of the agreement follow, but the committee wants to stress that it endorses all parts of the agreement, including those not discussed in the following section. We urge the Administration and the Congress to get the agreement into effect as soon as possible. It adds to the impetus of the recently-concluded Moroccan agreement, and the ACTPN believes U.S. interests in the region demand that passage of this agreement be expedited.

**Market Access --** The ACTPN applauds the provisions on trade in goods, including agriculture. These meet or exceed the best that have been negotiated in any other U.S. trade agreement, and certainly achieve the Trade Act's market access goals. Bahrain will provide immediate duty-free access to all imports of consumer and industrial products of a type currently imported from the United States as soon as the agreement goes into effect. This is a truly impressive achievement. Moreover, even in examining products currently not sold to Bahrain, virtually all of these will become duty-free immediately as well. Only a handful of consumer and industrial products currently not traded will see duties phased out over a 10-year period. Additionally, 98 percent of U.S. agricultural exports to Bahrain also become duty-free immediately upon implementation of the agreement, providing a remarkable opportunity for U.S. farm exports. On the U.S. side, the ACTPN is pleased with the benefit to consumers from tariff elimination.

**Services --** The committee believes that the negotiating requirements for services trade have been met satisfactorily, and that the agreement helps set the basis for additional agreements to open services trade throughout the region. Particularly notable is the fact that Bahrain agreed to a "negative list" approach in which only designated services may be excepted from being fully open – all other services are open, importantly including new service industries which may emerge in the future. U.S. financial services will benefit significantly, including banking and insurance services. Bahrain also provided an open telecommunications market providing non-discriminatory treatment to U.S. firms.

**E-commerce --** The e-commerce and digital products provisions meet the expectations of the ACTPN and provide a strong basis for the expansion of this important technology. The establishment of non-discrimination guarantees and a binding prohibition on customs duties on products delivered electronically create a favorable environment for the development of increased e-commerce.

**Intellectual Property Rights --** The ACTPN endorses the high level of IPR protection negotiated in the agreement. The agreement fully includes state-of-the-art protection for trademarks and digital copyrights and expanded protection of patents and trade secrets. These are supported by tough penalties for piracy and counterfeiting, including seizure and destruction of products and equipment and mandated statutory and actual damages for violations. Bahrain will maintain criminal penalties for circumvention and for trade in counterfeit goods.

The ACTPN is particularly concerned with the rising global level of trade in counterfeit goods, and commends the FTA for its strong provisions to combat such trade. Bahrain's agreement to ensure adequate enforcement resources, especially closer cooperation to prevent the importation of pirated goods into the United States, is also important.

**Government Procurement --** The agreement includes coverage of most Bahraini government agencies, and provides for transparent bidding procedures, non-discrimination against U.S. suppliers, and criminal penalties for bribery in government procurement. The ACTPN commends this agreement not only because it provides a further important precedent in the area, but also because of the economic significance of these provisions. Government procurement is a significant part of the Bahrain economy, and open access to government procurement on the part of U.S. suppliers provides new opportunities for U.S. exports.

**Customs and Rules of Origin --** The ACTPN is pleased with the customs procedures negotiated in the U.S. Bahrain FTA. Specifically, the ACTPN applauds the use of technology and the specificity of the provisions requiring transparency and efficiency in customs administration as well as the facilitation of the clearance of express delivery shipments through customs. The FTA has a provision for both governments to share information to combat the illegal transshipment of goods. Without commenting specifically on products within individual industry sectors, the ACTPN nevertheless urges that all FTAs include rules of origin that balance the desirability of promoting the sourcing of raw materials within the relevant territory with rules that permit U.S. businesses the flexibility and opportunity to take full advantage of the agreement.

**Labor Provisions --** The ACTPN believes the FTA fully meets the labor objectives of the Trade Act of 2002, and views the text of the agreement as providing an effective and balanced means of implementing those negotiating objectives. The labor provisions are consistent with the standards set in earlier free trade agreements and meet the Trade Act's requirements while still providing strong assurances that the provisions cannot be used as a means of disguised protectionism.

The committee particularly points to the agreement's emphasis on cooperation and mutual agreement in working together on this matter. Under the agreement, both countries reaffirm their commitments under the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and ILO Convention 182 on the Worst Forms of Child Labor. The agreement also establishes a cooperation mechanism to support these commitments and improve the systems for administration and enforcement of labor laws. Both guarantee in an enforceable manner, as stipulated in the Trade Act of 2002, that they will not fail to enforce their labor laws in a way that could affect trade. Both also agree to strive to ensure they will not weaken their labor laws in a manner that would affect trade.

**Environmental Provisions** -- The ACTPN endorses the environmental provisions of the FTA set out in the Joint Statement on Environmental Cooperation and believes they provide effective ways of contributing to environmental improvement. The committee commends the fact that a Memorandum of Understanding on Environmental Cooperation will establish a Joint Forum on Environmental Cooperation that will develop a plan of action for future environment-related projects.

**Dispute Settlement** -- The ACTPN believes that the agreement contains effective dispute settlement provisions that can ensure the agreement's requirements can be enforced. These provisions provide for timely and effective resolution of disputes and the application of enforcement mechanisms that provide an adequate incentive for compliance when needed. Under the agreement, suspension of tariff benefits or the application of fines are available for all disputes, including disputes over enforcing labor and environmental laws.

The ACTPN wants to stress that trade retaliatory measures should be taken as a last resort, for they have the capability of interfering with trade and causing considerable economic disruption. For this reason the committee commends the agreement's provisions that allow for the use of fines. The ACTPN hopes that this avenue will be pursued as a preferred option, holding the use of trade restrictions to an absolute minimum.

The committee also believes that the best way to deal with trade disputes is through consultation and developing trade enhancing remedies and expresses its support for the provisions in the FTA that seek such amicable resolution of disputes. The agreement also sets high standards of openness and transparency for panel procedures.

The ACTPN believes that the dispute resolution provisions fully meet the requirements of the Trade Act of 2002. They provide equivalent enforcement for all parts of the agreement, satisfying both the letter and spirit of the legislation.

July 14, 2004

## Membership:

### Advisory Committee for Trade Policy and Negotiations (ACTPN)

<b>Name</b>	<b>Organization</b>
Bernard W. Aronson	ACON Investments, LLC
Paul Norman Beckner	Citizens for a Sound Economy
JoAnn Brouillette	Demeter
Melinda S. Johnson Bush	HRW Holdings, LLC
Jill M. Considine	The Depository Trust and Clearing Corp.
Edward C. Emma	Jockey International, Inc.
George B. Fitch	Mayor, City of Warrenton, VA
William E. Frenzel	The Brookings Institute
Robert E. Grady	The Caryle Group
Michael Goldstein	Toys "R" Us Children's Fund
Frank H. Habicht	Global Environment & Technology Foundation
Peter Hanna	Hanna Steel Corporation
Walter B. D. Hickey Jr.	Hickey Freeman Company, Inc.
Jerome J. Jasinowski	National Association of Manufacturers
Fisk Herbert Johnson	SC Johnson & Son, Inc.
Hersh Kozlov	Wolf, Block, Schorr and Solis-Cohen LLP
Charles E. Kruse	Missouri Farm Bureau
Luis Lauredo	Hunton & Williams, LLC
Larry A. Liebenow	Quaker Fabric
James W. Morrison	Small Business Exporters Association
Thomas D. Mottola	Sony Music Entertainment
Grace E. Andrews Nichols	Victoria's Secret Stores
Samuel J. Palmisano	IBM Corporation
Edward J. Perkins	University of Oklahoma
Kevin B. Rollins	Dell Computer Corporations
Steven R. Rogel	Weyerhaeuser
Jean-Pierre C. Rosso	CNH Global
John G. Rowland	Governor, State of Connecticut
Hector Ruiz	Advanced Micro Devices
Rodolphe M Vallee	R.L. Valle, Inc.
Morgan Y. Wang	Angeles Optics, Inc.
Margaret C. Whitman	eBay, Inc.
Wythe W. Willey	National Cattlemen's Beef Association