

**Transcript of Joint Press Conference:**  
**Bahrain Minister of Finance and National Economy Abdullah Saif**  
**And**  
**U.S. Trade Representative Robert B. Zoellick**  
**At the Ritz Carlton Hotel, Kingdom of Bahrain**  
**June 19, 2003**

**Minister Saif:** In the name of God the most gracious, the most merciful. In the beginning, I would like to welcome you all to this press conference and welcome Mr. Robert Zoellick, the U.S. Trade Representative in the United States. Mr. Zoellick will shed light on the negotiations that will soon begin between the U.S. and the Kingdom of Bahrain per the agreement between President Bush and King Hamad. In fact, today we began the discussions about the initiation of bilateral formal negotiations. This calls for setting a schedule for negotiations and determining who will take part in them from the different economic sectors in both countries.

The choice of participants will then be approved by the formal authorities in both countries, and hopefully the formal negotiations will start at the beginning of next year. Doubtless, this is an issue of great importance that will help the Kingdom of Bahrain to gain a place on the international trade map for both goods and service trade. The agreement is not only concerned with the liberalization of trade but with all economic sectors in both countries. We hope to begin the formal negotiations and then sign the agreement that will open up the way to the different economic sectors in the Kingdom of Bahrain and the U.S. that will lead to economic development in both goods and services sectors such as banking and finance, information technology, education, health, and tourism, all of which are based on knowledge and whose liberalization will create a large number of employment opportunities for skilled and trained workforce.

Again, I would like to welcome you and thank you for your presence in this conference. Now, I will leave the ground for Mr. Zoellick to comment on the agreement and the discussions that took place today. If there are any questions or inquiries, we would be delighted to answer them.

**Ambassador Zoellick:** Well thank you very much Minister, and let me start by thanking all of you for joining us this evening. I'd like to convey my thanks to the people of Bahrain who from His Royal Highness to the various ministers I have had the chance to meet today to the members of the Assembly to the students at the Bahrain Institute of Banking and Finance. Everyone has been extremely friendly and generous and warm with their time and I thank them for that because it's made our brief visit a very productive one. President Bush asked me to come to the region, to talk about some ideas that we have on how we can try to employ trade to help support development and growth and create opportunity in the region.

We could think of no better place to begin than Bahrain because Bahrain is a very close friend of the United States, but also the Minister and his colleagues have done an

excellent job of moving this economy in the direction of reform. Indeed it's developing a reputation as one of the first post-oil economies, relying on the service industry and manufacturing and education and knowledge of its people, and not just in mineral resources. From this visit I will go on to a meeting in Sharm El Sheikh in Egypt of about 25 ministers from around the world to discuss the global trade negotiations, the Doha negotiations. And then I will join the World Economic Forum meeting in Jordan where I will deliver a speech about the initiative that President Bush announced last year for the region.

One of the main purposes for me coming here was to have a chance to listen and to learn more about what's happening in Bahrain. That's why I am very appreciative of not only the Ministers, but the members of the Assembly, tonight I will meet some people from the business community to get a better understanding of what's proceeding here on the economic and political reform front. I know many of you are not trade specialists, but as the Minister mentioned we're very proud about the prospect of launching a free trade agreement with Bahrain.

The United States has very few free trade agreements. At present we only have three. We have two more, one with Singapore and one with Chile that will be presented to our Congress this year. We started negotiating a few others. Now one reason that we have such few free trade agreements is as the Minister mentioned, we make then very comprehensive economic partnerships, so when people asked me what does a free trade agreement do, well like basic free trade agreements it removes all tariffs or taxes on goods or agriculture, but in our case we also try to open up the services market, we try to have a high standard for intellectual property, we try to develop openness in transparency rules, we try to open up government procurement, so it requires an economic partner that can truly modernize a competitive economy.

That is one reason why we look forward to beginning with Bahrain, because we think that this trade agreement can help support the government's reform efforts because the strategy appears to be one of developing Bahrain as a regional hub in the various service sectors that the Minister mentioned, and indeed this agreement will help with Bahrain's reputation with investors and businesses from around the world, in terms of the quality of the investment and business environment.

Each free trade agreement affects each economy differently, but to give you some basis of comparison, the United States recently completed a free trade agreement with Jordan, as many of you know. And the Jordanians have reported that since we started a process of opening our markets to Jordan in 1999 - the trade agreement was completed in the year 2000 - the Jordanians estimate they have created some 30,000 jobs and that's obviously what trade is all about, it's about creating the environment for investment and jobs, and indeed our trade with Jordan has increased some thirteen times over the past few years and grew some eighty percent last year alone. But what was equally important was that it not only increased trade flows but it diversified trade flows, so by improving the intellectual property rights law, we know have pharmaceutical companies investing in Jordan and bringing high quality jobs and connecting them to an international economy.

Well when I first had a chance to meet the Minister I was very impressed with the efforts that Bahrain has made in developing educational partnerships with institutions about teaching finance and business, similarly doing so in the health sector. And so, our agreement will not only deal with goods and services, but will deal with concepts about e-commerce. And therefore, we hope that when we're done it will support the efforts that His Royal Highness and the Government and the Assembly are pursuing to create more jobs and opportunities here.

There's also a regional dimension, in that President Bush's initiative is designed to create models of success that others may draw from. Well we hope that others in the Gulf region may also follow this course. I've had the opportunity to meet with a number of leaders in the Gulf States and if they do have an interest, and we've talked about this with the Minister and his colleagues, we hope at some point they could join this agreement. So this is not an agreement that's to exclude, in fact it's an agreement to try to draw others to it and indeed we hope that it could increase the regional integration in the region as Bahrain has already started to do. As I attended some of the classes at the Bahrain Institute of Banking and Finance, I was struck on how a number of the students were from all over the region.

In terms of the timing, as the Minister mentioned, in the United States we need to follow certain procedures with our Congress and that requires us to give a formal notification to our Congress which we hope we will do in the next month or two, and then we have to wait 90 days as we consult with Congress, and then we begin the formal negotiations. So as the Minister and I discussed, we hope to have an organizational meeting later this year and to begin the negotiations early next year. And it's certainly our hope that given the reforms that have already taken place in Bahrain's economy that we can proceed quite quickly, perhaps have this agreement done in a year. We are also completing an agreement with Morocco, as you may know, and we hope to have that agreement completed this year and then submitted to our Congress next year. So we hope to help give President Bush's initiative some concrete form, that free trade agreements with Jordan, Morocco in the Maghreb and Bahrain as a leader in the Gulf. So I'll be pleased to try to answer any of your questions about this visit or the rest of my stops.

**Question (Essa Mubark, Reuters):** There is always a link between policy and economy. Does the U.S. want policy changes from Bahrain or of any trade partners in this free trade zone, especially their relations with Israel?

**Ambassador Zoellick:** We are very proud of our friendship with Bahrain and as I told His Highness today we want to try to help take care of our friends. So we're not really asking of our friends in this case, we feel that this is a way of trying to support our friends. The U.S. receives many inquiries about free trade agreements. I have a long list of countries that are interested in proceeding with us and frankly, while Bahrain is a small economy, we think it is very important because of what is happening here and what is being achieved here because there is a larger purpose involved.

The larger purpose was articulated in the speech of President Bush about a month ago where he said that having worked to try to improve the security of this region, we now want to build on it. We want to build prosperity. We want to build opportunity and we are well aware that this is a region that in some ways was the historical center of commerce and trade a few hundred years ago. But if you look at the numbers now, it has lost that place. What we see is countries and individuals that are starting again to have a place and a role. They are starting to demonstrate that they are very educated people in this region, very hard working, and entrepreneurial people, and if given an opportunity, they can achieve great things.

We think that is important not only for the people of Bahrain, but we think others will take notice and whether they be in Iraq, whether they be in other Gulf states, or whether they be in other parts of the Arab World, we hope that the example here, the example in Morocco, the example in Jordan will spread. And indeed the goal that President Bush established was a vision of within ten years connecting these free trade agreements together into a free trade area. As I suggested, a logical starting point would be if other Gulf States have an interest in bringing them into this agreement as well.

So, when we see economics connected to policy and politics, we see it as trying to create opportunity, hope and empowerment of citizens here. Frankly, Bahrain has done a superb job of that and one of the reasons I wanted to come was to meet the new members of your Assembly and talk to them about some of their questions about a free trade agreement, and to talk to some of the members of the business community, because we see this is building a stronger partnership, not just a trade agreement.

**Question (Osama Mahran, Al Ayam newspaper):** When is the free trade agreement between the two countries going to be signed? And how do you look to the region, after the war has stopped and with the new Iraq?

**Ambassador Zoellick:** Well, for the first question, we have to negotiate it first. And as I mentioned these agreements are quite comprehensive – just to give you a basis of comparison, the agreement with Chile that I signed about a week ago in Miami was about 300 pages long with about 500 pages of annexes. But we believe that the steps that Bahrain has already taken to open up its economy, to strengthen its intellectual property rights, to open up its telecommunications system could mean that we hope we can proceed relatively quickly and indeed the Minister and I have talked about discussing with our Bahraini colleagues some of our prior agreements so that they can further understand them. So it would be my goal to be able to complete this agreement during President Bush's first term and then it would have to go to our Congress.

Now as for your second question, in the region, we believe this is a time of opportunity, but the time and the moment have to be seized by the people of the region. We know this is something that is up to the people of the Gulf and up to the people of Iraq and indeed up to the people of Egypt, and the Maghreb and others, and so what we are trying to do is offer an opening and an opportunity. Now in the case of Iraq, the first step is obviously to ensure security for it's hard to do business if you don't have a secure environment. A

second important part is to remove the sanctions on the oil and then get the oil flowing so as to start to get some income flowing back in. Another critical step is to make sure that basic humanitarian needs are met, but a lot of that has been underway. And the important steps in terms of ensuring that the currency system works and moves forward. As Ambassador Bremer reported, they're now starting to have reconstruction projects which offer the possibilities of additional jobs and building in Iraq. Our goal is to have Iraq run by the Iraqi people in a free society.

As President Bush has said, we are committed to that goal and therefore we will stay to help achieve that goal but as soon as we can leave, we can leave, because the purpose of this is to help the people of Iraq. Now if simultaneously as that is happening, we can have a free trade agreement with Bahrain, perhaps have other interests of other countries in the Gulf, in some cases we need to bring countries into the World Trade Organization, for example, Saudi Arabia, that's another part of President Bush's plan and then we can demonstrate other models of success throughout the region. Then, ultimately, it's up to the people of this region. But we believe - and if you look at the history of Arab Americans in the United States, they are more educated than the average American, their income is higher - there is no doubt about the commercial and entrepreneurial spirit of Arab peoples. But frankly, they've lived under regimes and systems that have stifled that. We are now seeing that change in Bahrain and so what we hope to do is to offer a hand of partnership to help.

**Minister Saif:** This on your first question Osama, as Ambassador Zoellick mentioned, we have done a lot of groundwork that has helped us to accelerate once we start the official negotiation. So the time will be very quickly to achieve a conclusion of such negotiation and therefore, finalization and conclusion of that negotiation and signing that bill will not take as long as some other countries have taken, because already there has been a lot of groundwork been done by both sides, by both to have a group of negotiators, different sectors in the economy from both sides. So in fact there has been a lot of groundwork that will enable a speedy conclusion of negotiations.

**Question (Mohammed Omar, Akhbar Al Khaleej):** Are there any reservations from the American side about the regulations governing the economical and financial centers?

**Minister Saif:** In fact we don't perceive any constraint as far as regulation in Bahrain because as you know, Bahrain has been pursuing an open economy and we have deregulated our telecommunications. We have begun deregulation on many or all of the services sectors in Bahrain, so I cannot perceive any constraints on the terms of regulations governing the sectors of the economy in Bahrain.

**Ambassador Zoellick:** Let me just add to that that we have had with Bahrain a preliminary agreement called the Trade and Investment Framework Agreement - we call it the TIFA. And so I have been meeting the Minister regularly in Washington and his colleagues have been working with my colleagues on trying to strengthen our economic relationship. And as he mentioned, in some ways, Bahrain is far ahead of the curve because a number of the changes that some countries have to make in intellectual

property or financial services rules, Bahrain has already made or is making. And your tariffs are already quite low, and so this is why actually it's a good example for others because part of President Bush's larger program is to develop TIFAs with other countries and then try to build on those TIFAs towards a free trade agreement. But as someone who's traveled a lot around the world – in the past two or three weeks, I have been in Latin America, I have been in Asia, and I'm here now - I can assure you that the reforms that have been taken here are as good as I have seen anyplace else, and therefore I am quite confident that we can move quite quickly.

**Question (inaudible, Bahrain News Agency):** You have spoken well about the agenda of reforms in Bahrain. Another question: how would this FTA encourage specific American investments to Bahrain?

**Ambassador Zoellick:** Well, in two or three different ways this will be very important. First, because the United States has relatively few free trade agreements, people in the investment and commercial community see them as representing a very high standard for an economy, so I think it will draw attention to Bahrain and once people pay more attention to Bahrain they will see more of the changes and reforms here. Secondly, as I've said on other occasions, capital is a coward. It doesn't go where it's afraid. And so what do investors look for? They look for clear rules, they look for assurance that their investments will be safe, they look for an opportunity to have an educated workforce, they look for an opportunity to work in an economy that understands it's part of a global economy and that has a strategy – as Bahrain does trying to develop various clusters – so all those will be not only emphasized in this agreement but they will be connected to the United States. And that obviously is a very important element because it will assure Bahrain totally open market access to an economy that represents 25 or 30 percent of the world's GDP, depending on exchange rates, so that's a particular asset to have. And finally I think that in the process of negotiating this free trade agreement we also encourage more interaction of the business communities of both countries and that's part of what I'll be doing tonight at dinner. When the Minister and his colleagues come to Washington, we'll encourage him to meet with the business community. And so people will learn more about the opportunities here. And if people start to see the Gulf region as one where there's an opportunity to make money and do business, then this is an excellent location to work from. So it assures access to our market, it helps affirm the high quality standards and also the way we do these is to try to develop things like business councils to draw businesses closer together. And as you know, the U.S. already has a strong business presence here, from Citibank in the financial sector to the fact that Bahrain buys American cotton for textiles.

**Question: (Inaudible - Financial Times):** Is the Bahrain government planning to negotiate other FTAs, more specifically with the UK or the European Union. My second question is for Ambassador Zoellick, did the U.S. give any consideration to any other reasons apart from strictly economic ones in choosing Bahrain as the first FTA in the region.

**Minister Saif:** To answer your first question, we have entered into bilateral negotiation on economic issue with some European capitals, and we have also concluded an FTA with the Kingdom of Thailand which has liberalized the economic sector between the two countries. But with the U.S., it will be more comprehensive FTA agreement. As I mentioned, this agreement will not only cover the movement of goods between the two countries, it will aim to free all the economic sectors, whether they are services or goods. And I think the horizon will extend, and the economic benefit that will be reaped will be immense, and that Bahrain which is facing job creation challenge to have access to the United States which is a vast market, these are all attributes you don't find in many markets. And also as the Ambassador said, Bahrain will stand as a model to encourage other countries both politically and economically and also to enhance the quality of life and business in the Kingdom.

**Ambassador Zoellick:** If I could also comment on the first part, on the day I left which I think was Tuesday, I had a phone call with my colleague and friend Commissioner Pascal Lamy of the European Commission. We've been comparing notes about President Bush's initiative for trade and development in the region and some of the things that the EC is doing. And what that emphasizes is these are not exclusive arrangements. The era of colonialism and mandates is long gone. In fact, we want to help the countries in the region not just to trade with the U.S., but to trade with Europe and trade with Asia. And so frankly Commissioner Lamy and I are trying to work together to try to create more economic opportunity in this region as a whole. Now, the EU has negotiated more with the GCC as a group. This reflects a slightly different strategy. Some members of the GCC are not yet even WTO members. And so the EC is trying to emphasize regional integration but perhaps at a lower level of standard. What we're trying to do is emphasize a high level of standard and draw others to it. But they're complimentary, and they move in the same direction.

Second, we hope to follow Bahrain's lead with Thailand. We have Prime Minister Thaksin in recently and he's very eager to have an FTA, and when I was in Thailand about two weeks ago I had learned about the Bahrain-Thailand FTA, so on this one we'll be learning from our Bahraini colleagues.

And third, from the point about any other interests or reasons, I think the key is that we consider Bahrain a good friend. Bahrain and the U.S. have been partners, and therefore when we see the reforms taking place here, we want to help them to succeed. What I told His Highness today, is his success and Bahrain's success is our success... we want it to work. Now, these questions and issues are ultimately up to the people of Bahrain, but if we can help make that work, all the better. And if it creates a model for others in the region, that's even better yet. This will be the point I'm emphasizing in my speech in Jordan and indeed, I will point to the example of Bahrain when I'm in Jordan. Because all of us know this is not a journey that will be done in a month or a year or even five years. There are tremendous challenges ahead, reaching from the Maghreb to the Gulf. But, you can see the winds of change stirring. You can see more open societies. You can see people trying different economic methods and as I will emphasize in the speech, there's nothing in the past of this region that wouldn't suggest this couldn't be a highly

commercially successful region. But frankly, many governments here over the past fifty years adopted concepts from Europe of the early 20<sup>th</sup> Century, and they didn't work. And so now they're changing, and we want to help that.

**Question (reporter Inaudible):** How important is stability in places like Palestine and Iraq to the success of the FTA?

**Ambassador Zoellick:** As the President has stated, we think the two are related. As your question suggested, it is hard to have a growing economy in Iraq until you have established basic security. But it is also hard to establish long-term security if people don't have jobs, if young people can't get a good education, if they can't apply that education, and if they don't see the opportunities for hope. This is true not only in this region, but it is true in other parts of the world. Now, I am not one who believes that terrorism is caused by poverty. In fact, if you look at the demographic backgrounds of most terrorists, they tend to be from middle class or well off families. But there is no doubt that it is societies where people lose a sense of hope, where the society fragments, those become the breeding grounds of trouble. And you asked about Israel and the Palestinians. That is one reason why my colleague Secretary Powell is working very hard under the President's direction, to try to create two states living in peace, side by side. And another component of that is obviously economics. The United States has a free trade agreement with Israel. That agreement also allows free trade with the Palestinian territories. If and when a Palestinian state is created and an open state, we want to be able to trade with it. Those people will need jobs. I have a friend who visited Gaza in the recent past and he told me that it is an extremely commercial culture. The people are very eager to sell and they are there all trying to make things and make business work. Maybe at some point, people from there will also look at what is happening in Jordan and Bahrain and they can see opportunity instead of hate. So fundamentally if you take your question, we can create a world where people are trying to destroy things, or we can create a world where people are trying to create things. And we want to create a world where people live to create and to build a better life for their families. And this is just a small part of it but we think it is an important part.

**Question (Adnan Malik, Associated Press):** This question is for both Ambassador Zoellick and Minister Saif. I want to touch on Israel. I understand that the Free Trade Agreement might include a clause which calls for the lifting of the boycott of Israel. Did your discussion touch on the topic of lifting the boycott? Is Bahrain going to go all the way and lift the boycott of Israel if they are to clinch this deal with the United States?

**Ambassador Zoellick:** Bahrain is obviously a respected member of the WTO, and as you may know, the WTO does not permit boycotts like that. And so we hope and expect that's not an issue, and again, what we hope to build in the future is a society where people trade and do business in peace. And obviously a boycott would conflict with that.

**Minister Saif:** The Kingdom of Bahrain is a member of the WTO and I think that Bahrain has always had good standards of compliance when it joins any international institution, whether regional or international. But I think let us look at this issue from a



broader context. As you know, His Majesty the King and the Prime Minister have attended the Sharm Al Shaikh meetings and they talked about the process of peace in the Middle East and I think that the road map is a strategy for peace. It encourages the parties to come together in order to conclude a lasting peace. So that issue that has been raised about the boycott will become totally irrelevant. This is now at the last stage. As you know, the boycott goes through various stages and now it is almost on the last stage at the Arab League and so Bahrain as a member of the Arab League really encourages this. And this goes in tandem with this process, and Bahrain is a strong supporter having a lasting peace in the Middle East between the Israeli and the Palestinian.

**Question (Mohammed Fadhel, AFP):** What did you discuss in the meetings today with Bahraini officials?

**Ambassador Zoellick:** My meetings with the Minister have been in and out of other sessions. In our session, we talked primarily about the procedures and the timing of our work going forward. We talked about the process that we need to undertake with the U.S. Congress. We talked about using the coming months ahead to do further preparatory work. I asked the Minister about the status of some of the economic reforms and we talked about the ways in which it will be important to work with our business communities, with your Assembly, and with the U.S. Congress, to help create the basis of support of this going forward. And I also had an opportunity to talk a little bit about the WTO negotiations that I will be heading towards. And I also wanted to learn a little bit more about the political process of reform, so that is why I was pleased to have the chance to meet with the committee members dealing with finance and budget and I had some chance to talk with the Minister about that process as well.

**Minister Saif:** The meetings with Ambassador Zoellick did not begin with this visit. We have been having regular meetings in Washington or in other places. The process of free trade hasn't started just suddenly. I mentioned that Bahrain has completed an economic agreement in October 1999, followed by the signing the Trade and Investment Framework Agreement, or TIFA, last year and also establishing a lot of technical groundwork meetings for almost two years. This visit by Ambassador Zoellick will enable him to see first hand the reforms in Bahrain and today he met with His Majesty the King and His Highness the Prime Minister and he had a chance also to meet with representatives from the Lower Chamber, and there was interaction between him and the members of the financial committees. I have also met with Members of Congress in Washington just to exchange views and create awareness of the Members and to discuss why it is important for the two countries to work together for a Free Trade Agreement. It is not a question of an agreement between two governments. This issue touches on the daily lives of Bahrainis, and on business professionals in both countries, it touches on all sectors, finance, information technology, financial services, health care, and tourism.

**Ambassador Zoellick:** I also would like to congratulate the Minister on his son's high school graduation because I saw his picture in the paper. [Laughter] And I made sure that he knew I was wearing the very nice cufflinks that he gave me which have the ancient symbol of Bahrain on them.

