
Introduction

“The Arab world has a great cultural tradition, but is largely missing out on the economic progress of our time. Across the globe, free markets and trade have helped defeat poverty, and taught men and women the habits of liberty. So I propose the establishment of a US-Middle East free trade area within a decade, to bring the Middle East into an expanding circle of opportunity, to provide hope for the people who live in that region.”¹

— George W. Bush

In May 2003, just two months after the US invasion of Iraq, US President George W. Bush delivered those words at a commencement address at the University of South Carolina. In the speech, the president extolled the virtues of freedom and democracy and emphasized the role of free markets and trade in reducing poverty and promoting liberty. He then proposed a comprehensive US–Middle East free trade agreement (MEFTA).

Following President Bush’s speech, US Trade Representative Robert B. Zoellick outlined the approach in greater detail.² He explained that the MEFTA was “an ultimate goal” that was to be achieved within a decade through a series of cumulative measures, including

- actively supporting membership in the World Trade Organization (WTO) “for those peaceful countries in the region that seek it”;
- expanding the generalized system of preferences (GSP) program to increase US trade linkages with the Middle East;

1. White House press release, May 9, 2003, www.whitehouse.gov (accessed September 15, 2006).

2. Robert B. Zoellick, “A Return to the Cradle of Free Trade,” op-ed, *The Washington Post*, June 23, 2003.

- negotiating new trade and investment framework agreements (TIFAs) that promote trade and investment, resolving outstanding disputes, and deepening the TIFAs already in place with Bahrain and Morocco;
- offering to negotiate formal bilateral investment treaties (BITs) with interested countries;³
- negotiating comprehensive FTAs that would be combined into a sub-regional and ultimately a single MEFTA; and
- providing financial and technical assistance to help countries fully realize the benefits of open markets.⁴

Table 1.1 shows that the United States has indeed followed this approach and has made a considerable effort to promote the global integration of Arab countries through a series of steps, some of which have been completed, that will also eventually result in a single FTA between the United States and the region as a whole. By 2006 Saudi Arabia had become the 149th member of the WTO, and Algeria, Iraq, Lebanon, and Yemen were seeking membership with active US support. TIFAs were operating between the United States and Algeria, Egypt, Kuwait, Qatar, Saudi Arabia, Tunisia, and Yemen. New FTAs with Morocco and Bahrain had come into force, an agreement with Oman had been approved by the US Congress, and negotiations with the United Arab Emirates were ongoing. In addition to earlier agreements signed with Israel (and the West Bank and Gaza), the United States had six FTAs and a prospective seventh in the works. The United States had also funded a Middle East Partnership Initiative through its Agency for International Development.⁵ Only Syria, Libya, and Iran had played no role in the process.⁶

The Middle East is the most troubled region of the world. It has serious international and domestic problems and ongoing turmoil, with wars in Iraq, clashes between Israel and Hamas and Hezbollah, and continued threats of terrorist attacks, both within the region itself and exported worldwide. Ultimately these major problems require political solutions, without which many of the potential political benefits from better trade policies will simply be overwhelmed. Nonetheless, if political solutions

3. Egypt was actually the first country to sign a BIT with the United States in 1986.

4. As noted by Bolle (2005). In 2003, 23 percent of total US funding of \$752 million for trade capacity building went to Middle Eastern countries.

5. The Middle East Partnership Initiative provides funds to help ease structural adjustment problems. It also aims to strengthen civil society, the rule of law, and small business.

6. By contrast, Syria has been an active participant in the Euro-Med negotiations, although as of 2006 no agreement had been implemented. Libya has participated as an observer.

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Table 1.1 US-Middle East free trade efforts as of February 2006

Country	Free trade agreement	Trade and investment framework agreement	Bilateral investment treaty	World Trade Organization	Generalized system of preferences
Jordan	X	X	X	X	X
Morocco	X	X	X	X	X
Israel ^a	X	X		X	Not eligible
Oman	Signed	X		X	X
Bahrain	Ratified	X	X	X	Not eligible
United Arab Emirates	Negotiating	X		X	Not eligible
Egypt		X	X	X	X
Tunisia		X	X	X	X
Kuwait		X		X	Not eligible
Qatar		X		X	Not eligible
Saudi Arabia		X		X	Not eligible
Algeria		X		Negotiating accession	X
Iraq		X		Negotiating accession	X
Yemen		X		Negotiating accession	X
Lebanon				Negotiating accession	X
Iran				Negotiating accession	Not eligible
Libya				Negotiating accession	Not eligible
Syria					Not eligible

a. The Palestinian Authority participates in the US-Israel FTA.

Source: US Trade Representative, www.ustr.gov (accessed in February 2006).

are found, economic policies will have a crucial complementary role to play in addressing some of the underlying sources of these conflicts, thereby increasing the odds that the political solutions and reforms will endure. So promoting the global integration and economic development of Middle Eastern nations is certainly laudable, but is the approach that the United States has adopted to achieve these objectives likely to succeed? What are its strengths and weaknesses? Could it be improved? To

answer these questions, this study presents an extensive analysis of the MEFTA initiative.⁷

Why a Middle East Free Trade Agreement?

Why did the United States launch the MEFTA initiative and why have some Middle Eastern countries agreed to participate in it? Understanding these motives is crucial for appraising whether or not the initiative is likely to be successful. The nature of the goals also has important policy implications for how the process should be implemented, as well as for the other policies that should accompany it.

Why does the United States seek a MEFTA? Purely on the basis of its economic size, the Middle East is not a region on which the United States would normally be expected to focus. Even with rapid growth and increased openness, the region would still be a small part of overall US trade. In 2004 the entire Middle East accounted for only about 4 percent of both US merchandise exports and imports⁸ and less than 1 percent of US direct investment abroad.⁹ The size of the direct economic impact of such an agreement for the United States is thus likely to be limited.

Similarly, on humanitarian grounds, the Middle East does not command special attention. Compared with other parts of the developing world, abject poverty is not especially prevalent, even in countries in the region without large oil reserves. Besides the small, oil-rich countries of Kuwait, Qatar, and the United Arab Emirates, and with the exception of Yemen (lower-income), the countries that could potentially join the MEFTA are all classified as middle-income by the World Bank. Table 1.2 shows that the incidence of absolute poverty as measured by the proportion of the population living on less than \$1 a day on a purchasing power

7. The focus of this study is the Arab countries—i.e., the relatively larger members of the Arab League, generally, unless it is clear from the context that Israel will not be included in the analysis. The countries are Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen.

8. In 2005 US exports to the Middle East (including Israel) and North Africa were \$31.9 billion and \$5.2 billion, respectively. US imports from the Middle East and North Africa were \$62.5 billion and \$1.67 billion, respectively. Thus, the Middle East accounted for 4.1 percent of US global exports (of \$904 billion) and 3.84 percent of US global imports (of nearly \$1.671 trillion). Data are from Trade Stats Express—National Trade Data, US Department of Commerce. <http://tse.export.gov>.

9. On a historic cost basis, US direct investment in the Middle East was valued at \$19.235 billion. Total direct investment abroad was valued at \$2.06 trillion (*Survey of Current Business*, US Department of Commerce Bureau of Economic Analysis September 1, 2005, table F2, D-65).

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**Table 1.2 Poverty and infant mortality rates:
Arab and other developing countries**

Country	Poverty^a	Infant mortality (per 1,000 live births)
Selected MENA		
Yemen	15.7	113
Egypt	3.1	39
Algeria	<2	41
Iran	<2	39
Jordan	<2	28
Morocco	<2	39
Tunisia	<2	24
Lebanon	n.a.	31
Other countries		
Nigeria	70.8	198
Haiti	67	118
Rwanda	51.7	203
Tanzania	48.5	165
India	35.3	87
El Salvador	31.1	36
Kenya	22.8	123
Ecuador	17.7	27
Pakistan	17	98
China	16.6	37
Guatemala	16	47
Mexico	9.9	28
Venezuela	9.9	21
Brazil	8.2	35

a. Percent living on less than \$1 a day (purchasing power parity).

MENA = Middle East and North Africa

n.a. = not available

Source: World Bank.

parity basis is extremely low in Arab countries (again with the exception of Yemen).¹⁰

Instead, US interest in the MEFTA reflects geopolitical and security considerations based on concerns about the Middle East's central role in global oil markets, the Arab-Israeli conflict, and violent clashes between the West and militant Islamic fundamentalists. The United States has an

10. As suggested by the data on child mortality reported in table 1.2, public health conditions in the region are typical of middle-income developing countries and far better than in many parts of Africa. Although over the past decade progress in poverty reduction has been poor, other human development indicators have improved considerably. See Iqbal (2006).

interest in a stable and friendly Middle East because the American economy is highly dependent on imported oil. It is vulnerable to high prices and disruptions caused by political turmoil, wars, and terrorist attacks. The United States also has an interest in settling the ongoing Arab-Israeli conflict, both because of the suffering it wreaks on the participants and the difficulties it creates for US foreign policy more generally. Finally, and most importantly, the United States has an interest in promoting effective governments in the region that can bring their people tangible benefits and moderate the appeal of those Islamic militants.

The MEFTA initiative reflects the judgment that US interests cannot be advanced through purely military or political initiatives. To be effective in the battle for hearts and minds in the region, the policy needs an economic component. The US government's 9/11 Commission, established to investigate the attacks on the World Trade Center, noted that a "comprehensive strategy to counter terrorism should include 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."¹¹

In this regard, trade agreements are seen as playing an important role.¹² Advocates of opening markets for and in the Middle East have actually called this effort a front in the war against terror (Gresser 2003, Brink 2003). In his speech launching the MEFTA, President Bush supported this view, laying out a fairly rigid and naïve chain of causation that runs from trade agreements to free markets to the defeat of poverty and the fostering of "habits of liberty." While there are plausible links between these elements, their association is by no means as assured, however. Many other complementary measures need to be taken to achieve "habits of liberty." The institutions required for markets to operate efficiently are far more elaborate than those enforced by trade agreements. Similarly, more efficient markets may increase total output, but they will not necessarily reduce poverty, and even reductions in poverty will not necessarily lead to less terrorism or more political freedom.

Some observers, including President Bush himself in an earlier speech in Monterrey, Mexico, have drawn a very direct connection specifically between poverty and terrorism. "We fight against poverty because hope

11. National Commission on Terrorist Attacks Upon the United States, *The 9/11 Commission Report*, July 22, 2004, page 379. Washington: US Government Printing Office.

12. These political motivations also help explain which countries the United States has thus far sought as its free trade partners—Israel, the West Bank and Gaza, Morocco, Jordan, Bahrain, and Oman—and the conditions it attaches to membership. In particular, the US trade representative has made clear that eligibility for the initiative is limited to "peaceful" countries that "seek an increased trade relationship with the United States" and "are prepared to participate in economic reform and liberalization." Countries must not participate in a primary, secondary, or tertiary boycott of Israel. quoted by Bolle (2005, 9).

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is an answer to terror,” stated President Bush.¹³ But the evidence does not provide strong support for this view. Krueger and Maleckova (2003, 119), for example, argue that the direct linking of poverty and terrorism is mistaken. “Instead of viewing terrorism as a direct response to low market opportunities or ignorance, we suggest it is more accurately viewed as a response to political conditions and long standing feelings of indignity and frustration that have little to do with economics” (see also Krueger and Laitin 2004).

Nonetheless, even if reducing poverty does not automatically reduce terrorism, lack of opportunity can surely breed frustration and provide a fertile breeding ground for such activity. In combination with the absence of an effective alternative means of political expression, poor economic performance can create the conditions and grievances in which radical fundamentalism thrives; by contrast, economic development can create opportunities to develop civic and political institutions that are more likely to enhance social stability. As Brink (2003) has noted, the experiences of countries such as Chile, Taiwan, Mexico, Thailand, and South Korea all show how market-based growth can lead to increased democratization and greater political freedom. There is, therefore, political merit in policies that promote economic growth in the Middle East.

For trade agreements to contribute to the political goals sought by the United States, however, three major pitfalls must be avoided. The first is abstaining from purely symbolic measures and exaggerated promises that sound good in the short run but breed disillusionment and disappointment over the medium term. A second is limiting the mercantilist and protectionist tendencies of the US Congress to make sure that the agreements genuinely advance the economic interests of the countries in the region. And a third is insulating the initiatives from other political concerns that could vitiate their political and economic benefits. Let us consider each of these in turn.

Even before it is negotiated, signed, and fully implemented, the offer of a MEFTA can improve US relations with Arab countries. It signals that the United States views a prosperous Middle East as in its interest and believes that deeper global and regional economic integration can help bring about that prosperity. In this way, the initiative counters the claim that US policies seek only to support Israel and secure access to oil through military operations and political influence. It is particularly important for the United States to extend an open hand of friendship when there are powerful forces that emphasize differences between Muslims and the West in order to foment a clash of civilizations based on hatred and mistrust. Militants have argued that the West seeks to keep the Muslim world poor and

13. Remarks at the United Nations Financing for Development Conference in Monterrey, March 22, 2002, White House press release, www.whitehouse.gov (accessed September 15, 2006).

weak and that separation and Arab withdrawal from global engagement is required. The offer of trade and investment agreements is intended to counter this view and show, by contrast, that cooperation and interaction can bring tangible benefits.

However, while offering trade agreements initially might be greeted approvingly, the agreements must be meaningful and effective for the goodwill to last. The MEFTA must stimulate more trade and investment both between the United States and the region and within the Middle East itself in order to create economic relationships that foster greater cooperation and trust

The use of FTAs as the chosen instrument of economic interaction by the United States is made more complicated by the US system of government. Outsiders tend to view the US president as all-powerful, but when it comes to US trade policy, the president is in fact simply a negotiating agent of the Congress. This reflects Article 1, Section 8 of the US Constitution, which gives the Congress the power “to regulate Commerce with foreign nations.” While the Congress may grant the president the authority to negotiate trade agreements and commit itself to following special (“fast-track”) procedures in their passage, ultimately it reserves the final right of approval. This means that all US trade agreements must be constructed with a view to obtaining congressional assent. The Congress has generally given FTAs in the Middle East special and favorable treatment, partly because of strategic and political considerations outlined above and partly because, perhaps ironically, they are not significant economically and are not viewed as threatening by import-competing interests. Until the narrow votes of approval that were recorded for the US-Oman FTA in mid-2006, the agreements that had been concluded with Middle Eastern countries had either been supported by a large congressional majority or been so noncontroversial that they were approved through “unanimous consent,” with no recording of votes at all. Such was the case, for example, of the vote in both houses on the US-Jordan agreement and in the Senate on US-Bahrain. Table 1.3 shows that passage of the FTAs with Morocco and Bahrain in the US House of Representatives by respective votes of 323-99 and 327-95, and passage by 85-13 in the Senate for Morocco, were the most favorably lopsided of any recent votes for trade agreements worldwide.

Despite the apparent popularity of these agreements with Middle Eastern countries, however, the Bush administration has been cautious when crafting them. The tendency for these agreements to follow a boilerplate approach reflects the cumulative impact of dealing with domestic political forces in the United States on other FTAs as well as considerations of the precedence they could set for other agreements. The administration has learned by experience what the Congress likes.

In addition to the role they play in the Middle East, the agreements are part of a broader US strategy for achieving deeper economic integration

Table 1.3 US Congress votes on trade

Agreement	Bill	Year	Yea	Nay	Not voting
House					
NAFTA	HR 3450	1993	234	200	0
Trade Act of 2000	HR 434	2000	309	110	16
Jordan FTA		2001	—	—	—
Trade Act of 2002	HR 3009	2002	215	212	7
Singapore FTA	HR 2739	2003	252	155	7
Chile FTA	HR 2738	2003	270	156	8
Morocco FTA	HR 4842	2004	323	99	12
Australia FTA	HR 4759	2004	314	109	10
Bahrain FTA	HR 4340	2005	327	95	10
CAFTA-DR	HR 3045	2005	217	215	2
Oman FTA		2006	221	205	
Senate					
NAFTA	HR 3450	1993	61	38	1
Trade Act of 2000	HR 434	2000	77	19	4
Jordan FTA		2001	—	—	—
Trade Act of 2002	HR 3009	2002	64	34	2
Singapore FTA	HR 2739	2003	66	32	2
Chile FTA	HR 2738	2003	65	32	3
Morocco FTA	HR 4842	2004	85	13	2
Australia FTA	HR 4759	2004	80	16	4
Bahrain FTA	HR 4340	2005	—	—	—
CAFTA-DR	HR 3045	2005	55	45	0
Oman FTA		2006	60	34	6

— = Agreed by unanimous consent.

CAFTA-DR = Central American Free Trade Agreement–Dominican Republic

NAFTA = North American Free Trade Agreement

Source: Kephart (2006).

between the United States and its trading partners worldwide—a process that has been dubbed “competitive liberalization” (Schott 2004). It is no surprise, then, that while these agreements do have some significant differences that reflect unique national situations, bargaining power, and the evolution of these agreements over time, US FTAs by and large follow a set formula both in terms of what they include and exclude.

In particular, the prototypical US agreement requires virtually complete liberalization of industrial and agricultural products, extensive coverage of market access for services, rights of establishment with few exceptions for foreign investment, obligations to protect intellectual property more extensive than those in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), commitments on government procurement, policy transparency, technical barriers and standards and provisions to adhere to labor, and environmental standards that are enforced

by dispute settlement agreements backed by the possibility of suspension of concessions and/or payment of monetary assessments. The agreements also exclude commitments on agricultural subsidies and antidumping rules—the former because these can only be dealt with in a multilateral context, since the United States seeks reciprocal concessions from partners such as the European Union, and the antidumping rules because of strong domestic political resistance to weakening them.

The extensive nature of these agreements and the enforcement mechanisms that accompany them suggest that the first challenge of avoiding purely symbolic agreements will be met. But the manner in which they are constructed leads to the second challenge for the United States: avoiding provisions that are excessively mercantilist. If the United States seeks to advance the narrow interests of domestic firms in ways that actually harm development in its Middle Eastern trading partners, the political benefits from the agreement will be reduced. Protectionist rules of origin and efforts to shift rents towards US firms with excessive intellectual property rules will do the same.

The third pitfall relates to problems that have occurred when FTA negotiations become embroiled in other political developments and concerns. The agreements achieve their full potential by affording private economic actors rules of the game that they can count on. They will be far less effective if subject to the vagaries of day-to-day political events, which can seriously detract from their economic effectiveness as well as the goodwill and political benefits the agreements are designed to win. Recent events have made this a growing problem.

The US experience with Egypt in this regard is particularly disappointing. While the United States has not ruled out launching negotiations with Egypt, it has twice brought Egypt to the brink of launching negotiations, only to suspend the launching. In 2003 this was the US reaction when Egypt withdrew its initial support for a case at the WTO that the United States brought against the European Union concerning genetically modified organisms. Similarly, in early 2006, the United States responded to political actions taken by the Egyptian government with respect to treatment of dissidents by not including Egypt on the list of countries that could complete their FTA negotiations prior to expiration of the president's trade promotion authority in mid-2007. The more recent action is particularly unfortunate, given the major economic reform initiatives that Egypt implemented under the leadership of Prime Minister Ahmed Nazif.¹⁴ As chapter 2 will show, governments throughout the Middle East all rank very poorly with respect to democratic norms, and if Western-style democratization is to be a precondition for signing an FTA, the initiative is not going to get very far.

14. Accomplishments included a new tax law, tariff reform, accelerated privatization, automating the government, and reducing inflation.

A second example is the Dubai Ports World case. When this Dubai firm acquired the Peninsular and Oriental Steam Navigation Company, it obtained control over facilities at six US ports. The officials who sit on the US government interagency committee responsible for reviewing foreign acquisitions for possible threats to national security viewed the sale as routine and approved it in November 2005. However, the case became highly controversial, stirred up by a company with financial interests in making the deal fail, and opposition mounted in the US Congress. The acquisition was painted in a highly negative light not only by the president's opponents, who seized on the chance to be tougher than he was on a national defense issue, but also by many in his party. Eventually, Dubai Ports World responded by selling the US port facilities to a US-controlled firm.

The entire affair marked a sea change in the politicization of a process for reviewing foreign direct investment that previously had been routine and technical. It revealed problems in general with the process involving the US government interagency committee that may require reform.¹⁵ It also demonstrated how public fears can make it difficult to distinguish between America's Arab allies and genuine threats to its national security. This treatment certainly makes it more difficult for Arab countries to view the investment provisions of FTAs as a genuine two-way street. The incident occurred just as the United States and the United Arab Emirates (which includes Dubai) were negotiating an FTA—not surprisingly, in the immediate aftermath of the affair, the talks were temporarily postponed.¹⁶

The affair also affected passage of the US-Oman FTA in mid-2006. The US Congress did ratify the agreement, although in the House of Representatives the margin of victory was a very narrow 221-205. This was quite different from the vote on the US-Bahrain FTA that passed in late 2005 by a vote of 327-95. In contrast to the bipartisan support for earlier Middle East FTAs, the Oman agreement garnered only 22 votes from Democrats—just seven more than the controversial Central American Free Trade Agreement–Dominican Republic (CAFTA-DR) in 2005.¹⁷

The most contentious issue on US-Oman related to the ability of the United States to prevent an Omani firm from operating a US port or other

15. See Graham and Marchick (2006) for a more complete discussion of the Dubai Ports World case and possible reforms to the review process in the United States.

16. On March 10, 2006, the US trade representative announced that the fifth round of trade talks between the United States and the United Arab Emirates, which were scheduled to begin March 13 in Abu Dhabi, would be postponed.

17. The US Congress can be counted on to interpret a vote on a bilateral FTA as a referendum on its more general views of that country. This has made certain bilateral agreements especially contentious. For example, the debate on the North American Free Trade Agreement (NAFTA) introduced all kinds of issues relating to Mexico, many of which were not directly linked with trade. Likewise, the vote on CAFTA-DR generated controversies relating to human and labor rights and passed by a mere 217-213 vote in the House of Representatives.

facility.¹⁸ The United States had not listed ports services as an exception to the agreement, and several Democrats based their opposition on concerns that the pact could give Oman the right to challenge US national security decisions with respect to the operation of ports, despite the fact that the agreement contained national security exceptions.

The earlier overwhelming and bipartisan support in the Congress for FTAs with Middle Eastern countries reflected political rather than economic considerations. These events demonstrate, however, that political considerations can be a double-edged sword. They highlight the importance of keeping the focus of the MEFTA process on economic issues and avoiding political issues that are better dealt with by other means.

Arab Motives

For Arab countries, the attraction of FTAs with the United States stems primarily from the four types of economic advantages they stand to provide. First, there are the direct benefits that come from increased trade and investment. Trade agreements afford preferential access to a large foreign market, which could result in increased exports and more investment by both foreign and local firms. They also improve consumer welfare by reducing domestic prices and increasing competition and choice in the domestic market.

Second, the agreements can be used to improve trade relations of Middle Eastern countries vis-à-vis other trading partners. They reduce the trade diversion that results from other preferential arrangements, such as the Euro-Mediterranean (Euro-Med) Partnership agreements with the European Union. They also enhance the region's bargaining power with other countries that will wish to be accorded treatment similar to that obtained by the United States.

Third, the agreements can help promote increased regional integration. If several countries in the region sign similar agreements, these can also be used as the basis for deepening regional economic integration. As noted by Fawzy (2003), Arab countries have a long history of trying to promote regional economic integration, mostly with disappointing results. While there are questions as to how much trade could potentially occur if their markets were fully integrated, the failure to exploit the potential that does exist reflects the fact that these efforts have been driven by political rather than economic motivations. Countries have grasped the symbols of unity but have been unwilling to engage in the fundamental systemic changes that make their markets mutually contestable. Foot-draggers have been able to stall meaningful agreements or have taken steps that deny full implementation. The most ambitious hope is that that the US initiative could

18. Labor rights issues were another source of opposition.

spur all Arab countries to take these necessary steps vis-à-vis the United States and then with each other; a somewhat less ambitious outcome would be for a select group of countries to launch a regional integration initiative that achieves deep economic integration among those countries that are willing.

Finally, and most importantly, the agreements can assist with domestic reforms. There is a great need for these reforms in policy and institutions, as will be documented in greater detail in chapter 2.¹⁹ In the Middle East, trade, particularly in natural resources, has actually helped stifle free markets and reinforced the strong state-led development model that prevailed throughout the region, particularly until the 1980s.²⁰ Oil revenues have created “soft” budget constraints that have allowed autocratic rulers to buy social peace without implementing fundamental political and economic reforms. Even in countries without oil, foreign aid and workers’ remittances have had a similar impact. The result has been “redistributive-interventionist” states that, on the one hand, provide welfare and government employment, and on the other, create economic systems in which success depends upon winning licenses and obtaining permits rather than satisfying customers. Governments dominate these economies with large bureaucracies, extensive public ownership, and highly interventionist policies. At the same time, the buying power created by oil incomes drives up wages and creates an environment in which it is difficult for manufacturing and other tradable goods and services production to thrive. The response is weak private investment, especially in manufacturing, and protectionism and inward-looking policies.

But it doesn’t necessarily have to work this way. There are many in the Arab world who understand that economic reforms and increased global integration are essential to meeting the challenge of absorbing large cohorts of new workers into the labor force. The region is facing a demographic time bomb, as large numbers of young and fairly well-educated workers join the already-large ranks of the unemployed. As shown in table 2.1 in chapter 2, the unemployment rate in the typical Arab country is in double digits, often above 20 percent. As noted by Yousef (2004), the total labor force of the Middle East in 2000 totaled 104 million workers, but by 2020 it is projected to reach 185 million.²¹ In many countries, the public sector has reached its limits as an employer of last resort. The key to this problem lies in creating an environment in which private entrepreneurship can thrive and generate sufficient employment opportunities. There is also evidence that the region exhibits low rates of return to edu-

19. See Noland and Pack (2006) for a more comprehensive analysis of the role of reforms.

20. See Yousef (2004) for an excellent overview of this history.

21. See Noland and Pack (2006, chapter 1) for an extensive analysis of the employment challenge.

cation, a phenomenon that research suggests is strongly conditioned by an economy's degree of openness (Iqbal 2006).²²

Unlike many agreements that Arab countries have signed both with each other and, for the most part, with the European Union, the requirement in US agreements that partners make extensive regulatory and liberalization commitments presents opportunities for reformers. These agreements can be used to implement new policies and set new precedents. As such, they are as much about changing institutions and reforming policies as they are about purely stimulating trade and investment with the United States. They may also help mobilize and empower interest groups that seek market-driven rather than state-directed economic policies. Signing an FTA with the United States commits countries to binding legal obligations with respect to the liberalization and implementation of rules that go far beyond those to which countries have previously subscribed in either their multilateral or bilateral agreements. Agreements also help to lock in policy changes by making them more permanent and credible, encouraging a positive response from private investors.

The challenge of having to negotiate such agreements can also stimulate improvements in a government's cooperation with the private sector. It can also help give impetus to introducing reforms and bolster political support for the adoption of such measures. For example, export interests eager to gain entry to the US market can help mobilize support for reciprocal domestic liberalization.

Nonetheless, while the agreements can be useful, the economic benefits they can bring to Arab countries are by no means assured. These benefits are highly contingent of the adoption of complementary actions both by domestic policymakers and by private sector participants. Countries that simply go through the motions of signing these agreements but then implement them reluctantly will see little in the way of positive results. The more countries are driven to sign these agreements for purely geopolitical or financial reasons, the less likely they are to take the necessary measures to fully reap their potential benefits.

The political interest that the United States has in the region provides unique opportunities for those seeking to use agreements as a stimulus for reform. But from the region's standpoint, it should also be acknowledged that the political nature of the US interest creates problems as well as opportunities. It is not easy to adopt policies for domestic economic reform and increased international integration in the first place. Whatever the long-run payoff may be, reforms and trade liberalization create losers as well as winners. In this context, it is only too easy for opponents to wrap their opposition in nationalist and religious flags. The debate over free trade becomes particularly difficult and charged when it is conflated with the debate over relations with the United States and Israel.

22. Iqbal (2006) [also notes, "Insufficient openness to trade and investment has likely constrained returns on education in the Middle East and North Africa Region."]

Implications

As this review of the goals of each side suggests, there is considerable overlap in objectives. Both the United States and the countries of the Middle East have an interest in using these agreements to reduce trade barriers, enhance economic reforms, increase regional and global integration, and improve their relations. But the use of trade agreements for this purpose runs into domestic political constraints in the United States associated with the domestic politics of trade and foreign investment, and into political opposition to reforms in general, and the United States in particular, in Arab countries. This points to the importance of negotiating agreements that genuinely promote economic development in Arab countries. Trying to use FTAs to induce countries to change other policies is unlikely to be very effective and more likely to create serious problems for those who support the agreement and wish to use it as an opportunity for introducing fundamental economic reforms.

Study Outline

In addition to the political considerations driving the MEFTA agreements, it is important to take account of the economic context in which the MEFTA takes place. Chapter 2 presents evidence on the degree to which Arab countries in the region already trade, both with one other and with the rest of the world. The chapter also explores the state of economic reforms and the quality of regulatory policies in Arab countries, as well as trading arrangements in the region. In all respects, the evidence suggests there is considerable scope for additional policies and reforms.

The MEFTA is a work in progress, and its shape and content has already begun to emerge. Chapter 3 starts by evaluating the merits of the piecemeal, bottom-up strategy that the United States has followed in constructing the arrangement. The FTAs that have already been implemented with Middle Eastern countries are then considered in depth. The analysis brings out the differences between these agreements and the problems these differences will present if a single agreement with the area as a whole is ever to be achieved.

Chapter 4 broadens the perspective to take account of FTAs that the European Union has with Middle Eastern countries. The European Union has concluded bilateral Euro-Med agreements with numerous Middle Eastern countries. The European Neighborhood Policy (ENP) program has promoted a set of comprehensive and bilaterally negotiated action plans that prioritize political, social, and economic measures. The European Union has also implemented an initiative to promote common (pan-European) rules of origin with and among all of its trade partners, and has announced its intention to conclude, by 2010, a comprehensive FTA with

the Middle East as a whole that covers trade in goods and services and foreign investment. The chapter compares and contrasts the US and EU approaches and considers their compatibility.

Chapter 5 then turns to the likely economic effects of the agreements. It contrasts the relatively modest effects that are likely to result from tariff elimination with the larger effects that could occur from the behind-the-border measures that should accompany it.

Conclusions

Is the Middle East Free Trade Agreement Needed?

The MEFTA seeks to liberalize trade and investment, facilitate domestic reforms, and encourage deeper regional trade arrangements. Chapter 2 argues that the Arab economies have both the need and the scope for adopting these policies. The need arises from the challenge to create employment in the private sector for their growing labor forces, and the scope from the poor state of the regulatory environment for private enterprise, particularly with respect to international trade.

Over the past decade, some reforms have been undertaken and per capita economic growth has generally accelerated. Nonetheless, with only a few exceptions, almost all Arab countries have chronic unemployment, and performance falls short when benchmarked against other countries. A large number of studies suggest that, judged by international norms, the countries in the region trade considerably less than would be expected with each other, with the United States, and with the rest of the world. In addition, particularly in the Gulf countries, foreign direct investment is unusually low. Part of the explanation for this weak performance is trade and regulatory policies. Once nontariff barriers are taken into account, trade protection on average in the region is higher than any in other region in the world. When ranked against other countries, the regulatory regimes and governance institutions in Arab countries do poorly, even when income levels are taken into account.

With few exceptions, there has been little relative improvement in these regulatory policies over the past decade. To be sure, there have been reforms in many Arab countries, but the rest of the world has also been changing, and thus comparatively the Arab countries have not risen in the rankings. By international standards, Arab administrative regimes are extremely burdensome for doing business in general and conducting trade across borders in particular. While the countries in the region have made progress in removing tariffs, particularly on regional trade, they have failed to deal effectively with nontariff barriers and the liberalization of services and investment. The Arab Greater Arab Free Trade Agreement

(GAFTA), for example, covers only trade in goods and remains deficient with respect to rules of origin and implementation.

The subregional Agadir Agreement between Egypt, Jordan, Morocco, and Tunisia has corrected the rules-of-origin issue for those four countries. Agadir uses EU rules of origin issue to take advantage of EU provisions that allow value added in any of the countries to count toward meeting the rule of origin for exporting to the European Union (so-called diagonal cumulation). The agreement is an important and positive example of the way in which agreements outside the region can form the basis for improved regional integration. But Agadir deals only with trade in goods, and there remains scope for similar agreements that cover services and investment. Overall, therefore, while Arab countries could certainly liberalize both regionally and globally and engage in domestic reforms without a MEFTA, the evidence in chapter 2 suggests that the MEFTA could certainly aid in these objectives.

In addition to indicating considerable scope for improving regulatory policies in Arab countries, the governance measures in the chapter highlight two challenges for the MEFTA. First, there are major differences between Arab countries with respect to regulatory quality and administrative efficiency. The countries with which the United States has already signed agreements are those with the highest regulatory quality, suggesting that the United States has followed its announced intention to sign agreements with “countries that demonstrate a commitment to openness and reform.”²³ The first five Arab countries with which the United States agreed to negotiate bilateral FTAs—Jordan, Morocco, Bahrain, United Arab Emirates, and Oman—rank among the top eight countries in terms of regulatory quality and among the top six when income levels are taken into account. But regulatory policies are much poorer in the rest of the region. This variance in quality presents serious problems for comprehensive participation in a single agreement.

Second, Arab countries uniformly have low rankings with respect to political governance variables, particularly political accountability. This suggests that if the MEFTA is to become a reality within 10 years, either the pace of political reform will have to accelerate dramatically, or major political reforms should not be made a precondition for membership.

Will a Bottom-up Approach Work?

As discussed in chapter 3, the MEFTA approach is bottom up. The United States is first negotiating bilateral agreements, then linking them in sub-

23. Robert B. Zoellick, “A Return to the Cradle of Free Trade,” op-ed, *The Washington Post*, June 23, 2003.

regional agreements, and only at the end of the process will it construct a single MEFTA. There is clearly a trade-off between megaregional initiatives that are built from the bottom up and those that are constructed collectively in a single agreement with all participants simultaneously. The top-down approach has the virtue of allowing for a set of rules that are approved by all and under which all parties operate. But obtaining agreement can be difficult in a collective negotiation with many participants because foot-draggers can stall the process or water down agreements that are actually concluded. Indeed, the recent history of efforts such as the Free Trade Area of the Americas (FTAA) and the Asia-Pacific Economic Cooperation (APEC) forum point to the problems in this approach. By contrast, the bottom-up approach permits those most willing and able to move first. It also allows them to tailor the details of their agreements to particular bilateral circumstances. The advantage of the MEFTA, therefore, is that it has allowed for the conclusion of deep and far-reaching agreements that almost certainly could not have been negotiated with universal Arab participation. But the cost of the approach is that it creates a number of overlapping trade regimes that present problems for eventual integration.

Even though the United States has followed a boilerplate approach to the agreements, there are still important differences between them, mainly because the US blueprint has evolved over time. The US MEFTA initiative also presents signatories with problems of administering different systems of rules in their trade with the United States, the European Union, their regional partners, and the rest of world. These conflicts are most evident in relation to rules of origin. Producers in Jordan today, for example, have one set of rules of origin when exporting to the United States under the special qualified industrial zones (QIZ) protocol, another with the US FTA, a third with respect to Arab League partners, and a fourth with the EU and Arab countries that are part of the Agadir Agreement.

The piecemeal approach adopted by the United States thus presents major challenges for eventually establishing a single MEFTA agreement. In particular, the early FTAs under which Palestine, Jordan, and Israel operate are very different from more recent agreements signed by Morocco, Bahrain, and Oman. This is evident from their length. The US-Jordan agreement is roughly 20 pages long, while the more recent agreements run into hundreds of pages. The agreements with Israel and the Palestinians cover only trade in goods. While the Jordan-US agreement includes services, in contrast with subsequent agreements, it uses a positive list approach. If the United States insists that the MEFTA should follow the more restrictive and demanding FTAs that have been negotiated starting with Morocco, the countries with early agreements will be required to assume major new obligations. This is especially the case for rules of origin, since the agreements with Israel and Jordan (and the Egyptian QIZ) provide for rules of origin that are considerably less stringent than in the agreements

with Morocco and Bahrain. These differences will make agreement on the final rules more difficult, and absent such integration a hub-and-spoke arrangement centered on the United States could emerge. Alternatively, one could imagine an agreement with variable geometry in which countries have different levels of commitment.

The more recent agreements also differ in terms of coverage, the nature of the dispute settlement system, and numerous other provisions. A particular challenge for eventual integration and a single MEFTA is presented by the unique Jordanian system for dealing with disputes over rules for labor and the environment. The Jordanian model is popular among US Democrats because it subjects violations of these rules to the same procedures as violations of other parts of the agreement. But, for precisely this reason, it is disliked by Republicans.

In sum, even aside from the obvious political problems of achieving a single MEFTA that includes Israel and all the Arab countries, there are numerous institutional barriers to its full realization. From the standpoint of Arab countries, the bottom-up approach is a mixed bag. The initiative creates tensions among Arab countries because it divides the region by separating countries according to their ability to integrate internationally and their political acceptability to the United States. This offers those most willing and able to negotiate the opportunity to differentiate themselves in both these respects. But for those who are less willing, this is a problem.

In addition, the bottom-up approach prevents the Arab countries from initially forming coalitions, compelling them to bargain individually with the United States. The consequence will be initial agreements that are less reflective of their collective interests. At later stages, however, as an overarching MEFTA begins to emerge, they should find it easier to coordinate their positions. Nonetheless, while the approach that has been selected possibly is less likely to guarantee the eventual emergence of a single MEFTA, it is more likely to ensure that the agreements that do emerge retain their deep character.

The MEFTA has the goal of encouraging regional integration, yet in contrast to the European Union, the United States' willingness to negotiate individually with Gulf Cooperation Council (GCC) countries has created tensions for the operation of the common external tariff of its customs union. On the other hand, this has created a mechanism for those Gulf states that are most interested in economic reforms to place competitive pressures on those that are more reluctant to do so.

Are the US and European Initiatives Compatible?

Another major challenge is presented by the European initiatives in the region. As discussed in chapter 4, the European Union, like the United States, has announced its intention to conclude a FTA with the Middle

East by 2010. The European Union already has Euro-Med bilateral FTAs with most Arab countries outside the GCC. In addition, the European Union has developed a system for pan-European rules of origin that permits diagonal cumulation among regional members with an FTA (like Agadir) that uses European rules of origin. The Euro-Med agreements are part of association agreements that cover a far broader range of noneconomic issues than the US agreements, but their trade provisions are more limited: They fail to cover services and investment and have serious limitations with respect to agriculture. However, the European Union is now moving to a second phase in which willing partners will be invited to sign plurilateral agreements that cover services and investment. The European Union is also negotiating individualized work programs (partnership agreements) with each Middle Eastern country that will support reforms in areas mutually considered to be priorities. Countries are being encouraged to adopt European standards and norms in addition to EU rules of origin.

An important issue is whether, in contrast to its earlier initiatives, the recent EU approach will be an effective anchor for reforms. The fairly standardized nature of the US FTAs allows reformers to argue that the entire package must be adopted. The requirements for full EU membership were perhaps even a more powerful anchor in the case of the countries that have recently acceded. But the *à la carte* approach in the European Union's European Neighborhood Policy (ENP) may make it easier for countries to avoid reforms that are politically difficult.

The United States and the European Union share the broad goal of trying to promote economic development in the Middle East and encourage political and social reforms. In many respects, their initiatives are complementary. But there could also be serious problems. For example, if Arab countries use EU rules of origin in their regional arrangements, how could they become eligible for diagonal cumulation under US rules? Would the United States recognize EU rules? Unlikely. Would Arab countries be expected to implement two different sets of rules in the preferential agreements they sign among themselves? Similarly, would the standards they are required to use by the US agreement be compatible with those required by the European Union? These tensions with the European Union are particularly relevant because Arab countries typically have three or four times as much trade with the European Union than they do with the United States. If forced to choose, Arab countries would probably follow EU rules, thereby limiting the potential regional impact of a US agreement.

What is the Potential Economic Impact of the MEFTA?

The relatively small value of bilateral trade between Arab countries and the United States is also relevant when estimating the likely impact of the

MEFTA. The agreement will eliminate all tariffs on trade between the United States and the Arab countries. To start thinking about its effects, therefore, it is helpful to consider the current levels of bilateral trade and the duties that are currently paid. While some Arab countries levy fairly high tariffs on US exports—on average, the rate in 2003 was around 10 percent—the United States generally charges very small duties on Arab exports to the United States (just over half a percent in 2003). The predictable results of simulations using both partial and general equilibrium models of freeing this trade therefore are that (1) the impact is fairly small, and (2) in most Arab countries, imports from the United States increase by more than exports to the United States. Estimates of far less than 1 percent of GDP for the increase in welfare generated are quite typical in conventional simulations.

However, capturing only the static effects of eliminating tariffs on goods may seriously understate the impact of the agreements. The additional effects of reducing nontariff barriers and the liberalization of services trade and foreign investment should not be ignored. Simulations of these additional effects suggest they could be large. According to estimates using Tunisia and Egypt as examples, liberalization of foreign investment in services that is generalized to all trading partners could boost welfare by almost 10 percent of GDP.

In addition, simulation models typically assume that the structure of trade will remain unchanged. They therefore capture only the responses induced to the goods that are currently traded. As Jordan's experience with the QIZ demonstrates, however, trade agreements could change the trade structure by inducing new export products, thereby generating effects that conventional modeling will ignore. Jordanian exports to the United States increased from \$72.8 million in 2000 to a stunning \$1.267 billion in 2005. The exports were so large that the bilateral balance of traded shifted from a Jordanian deficit of \$239 million in 2000 to a surplus of \$624 million in 2005.

Most significantly, however, the models fail to consider the effects these agreements could have on altering trade regimes and regulatory policies in Arab countries. The more recent US agreements with Arab countries are extremely comprehensive. They require members to assume obligations that in many respects go much further than the WTO. There are provisions freeing all foreign direct investment and all services, with exceptions listed (negative list). There are agreements with respect to policy transparency, government procurement rules and practices, operation of customs, and enforcement of intellectual property protection and labor and environmental laws. WTO rules for sanitary and phytosanitary standards and technical regulations are included in the agreement and the provision.

If Arab countries adopt and implement these provisions with respect to the United States, there could be fundamental changes in the nature of their trade regimes. Improvements in the operation of customs, the trans-

parency of policy, procedures used for government procurement, laws for intellectual property, and other regulatory practices such as standards based on science will change the system not only for US trade and investment but for all foreign and domestic firms that trade in these countries.

Opening services trade to foreign investors will heighten competition, which could generate important improvements in productivity. These key potential benefits from US agreements are by their very nature difficult to measure. But there are reasons to believe they could be considerable, provided that the appropriate complementary domestic policy steps are taken. But these benefits will require domestic leadership that takes advantage of the opportunities that are created. In this respect, however, the deep nature of the US agreements is a great advantage.

Most of these benefits could be achieved by countries that individually sign deep, bilateral FTAs and complement them by domestic reforms. If such reforms and liberalization are achieved by some Arab countries individually, their neighbors will automatically benefit from their more open regimes even absent formal regional arrangements and agreements with the United States. Thus, as long as individual countries implement these agreements, the overall initiative seems worthwhile, even if the difficulties of eventual consolidation are considerable.

Recommendations

The central finding of this study is that, by itself, and under current conditions, the MEFTA is likely to have a modest impact for three reasons. First, the current trade and investment links between the United States and the Middle East are relatively weak. Second, the regulatory and business environments in many Arab countries continue to impede the global integration of these economies. And third, the negative political fallout from US intervention in Iraq and the friction between Israel and its neighbors far outweighs the political benefits the United States could obtain from the initiative. Nonetheless, the MEFTA initiative provides the United States and its Arab partners with opportunities to take additional measures that could yield much greater benefits. While trade agreements provide opportunities, they do not guarantee results. They can contribute to positive economic and political outcomes, but need to be accompanied by other policies.

United States

For the United States, the principle challenges are keeping the focus of the initiative on trade and investment issues, improving some of the specific rules of the agreement, introducing mechanisms that facilitate integration

among its Middle Eastern partners, and achieving a political settlement of the Arab-Israeli conflict.

Paradoxically, the United States will reap greater political benefits if, to a greater degree than it has done so far, it keeps the MEFTA on a strictly economic track. The agreement should be focused on maximizing the economic benefits it can bring to Arab countries. The criteria for MEFTA membership should be the capacity to implement and benefit from the agreement. Use of the MEFTA as a bargaining chip to induce internal political reforms and changes in other policies, however well intentioned, is likely to backfire.

Particularly in more recent agreements, the United States has appropriately insisted on FTAs that achieve much deeper integration than the WTO requires of its members. This approach entails liberalization of all merchandise trade, including agriculture, services (with exceptions), foreign direct investment, and credible dispute settlement provisions. The depth of the MEFTA ensures that the agreements are not merely symbolic; it also promotes their use as an anchor for domestic reforms. The agreements should not be watered down in an effort to attract more reluctant members. It is better to have comprehensive bilateral and subregional agreements than weaker agreements to which all countries subscribe.

However, improvements could be made with respect to the more protectionist provisions of the agreements relating to restrictive rules of origin and excessive intellectual property protection. The United States should not be imposing intellectual property rules that cannot be justified as measures to stimulate innovation in Arab countries and can only be justified as measures to maximize the income of US pharmaceutical and other companies. Also, the MEFTA has recently run into security concerns provoked by the Dubai Ports affair. The agreements need clearer national security exception provisions that prevent opponents from using national security as a pretext for rejecting the agreements.

Since the number of agreements has now reached a critical mass, more attention also needs to be paid to how they can be integrated. In particular, a mechanism for diagonal cumulation needs to be developed to allow value added in any of the countries to be combined to meet rules-of-origin requirements. Ideally this would be done on the basis of the relatively straightforward rules of US-Israel agreement. The United States should also work with the European Union to craft common rules of origin or mutual recognition of each other's rules. Consideration should also be given to developing regional rather than bilateral dispute settlement mechanisms.

Given its political objectives, the United States should make a separate FTA with Palestine a high priority. The current coverage of the West Bank and Gaza under the US-Israel FTA is inadequate and does not meet Palestinian needs for increased international engagement and domestic institutional reforms. In particular, the failure to cover investment is a serious

gap. To be sure, the United States currently faces difficulties in dealing with the Hamas administration, but eventually a US-Palestine agreement is a key building block for a MEFTA that lives up to its potential.

Finally, a comprehensive MEFTA arrangement is unlikely absent an acceptable settlement of the Arab-Israeli conflict. The United States is unlikely to sign a comprehensive agreement with the region that does not include Israel. It is difficult, however, to imagine several Arab countries agreeing to a comprehensive arrangement that does include Israel.

Arab Partners

Arab countries that have signed agreements with the United States should use them as an opportunity to undertake additional reforms in their domestic policies to improve the business regulatory environment, implement additional measures to improve their international competitiveness, enhance Arab regional integration by extending the MEFTA provisions and coverage to each other, coordinate negotiations with the United States, and promote trade and investment liberalization with nonregional trading partners. Finally, countries that have not signed such agreements need to carefully weigh the implications of participation, and where these are deemed positive, carefully prepare to be in a position to join.

The agreements themselves improve domestic regulatory policies by requiring measures such as greater regulatory transparency, better government procurement procedures, technical and health standards based on science, improvements in customs procedures, and better intellectual property enforcement. Countries should build on these measures to reduce the excessive red tape associated with domestic and foreign business transactions.

Simply signing the MEFTA is insufficient. To exploit its potential, domestic-based firms need to be competitive. Private firms need to change their corporate strategies to confront competitors both at home and in the United States. Governments, too, need to adapt their policies to encourage domestic and foreign investors to take advantage of improved access to the US market.

The fact that several countries in the region are willing to make the extensive commitments required by US FTAs suggests that there is scope for deeper integration agreements in the region based on the provisions. The GAFTA and Agadir, for example, are limited to trade in goods. The MEFTA breaks new ground for many countries by including extensive obligations in services, foreign investment, standards, and dispute settlement. Agreements should also be used as a means of developing regional integrative institutions.

Countries that have signed agreements with the United States independently need to think about coordinating their negotiating strategies

with respect to how these agreements can now be linked. Examples are strategies for achieving diagonal cumulation and perhaps broader participation in dispute settlement.

The agreements should be used as a basis for negotiating other bilateral and plurilateral agreements with trading partners outside the region. By signing an agreement with the United States, countries indicate a more general commitment to deeper and more comprehensive international integration. Any country willing to adjust to free trade and investment with the world's largest developed economy surely could make similar adjustments in its trade and investment with other countries.

Countries that have not yet joined the MEFTA need to weigh their options carefully. Some countries in the region are not yet at a stage where they can assume the kinds of obligations required by these FTAs, and some might decide that the costs of doing so are greater than the benefits. But inevitably, the laggards will experience pressures to enhance their reforms to match those in neighboring countries.

The US approach is standardized. Once countries are eligible, the United States gives them a take-it-or-leave-it choice. This means that the countries need to understand the fine print of the agreement. The agreements have not been crafted to exploit individual country weaknesses, but countries still need to do their homework and understand the full nature of the obligations they are assuming. Trade expertise is essential.