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## Notes

# Shoring U.S. National Security and Encouraging Economic Reform in the Middle East: Advocating Free Trade with Egypt

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### INTRODUCTION

There has been a marked proliferation of free trade agreements (FTAs) over the past fifteen years.<sup>1</sup> Many countries, including the United States, now actively promote trade agreements as a prong of their foreign policy, recognizing not only the economic benefits of such accords but also the potential political gains.<sup>2</sup> This Note will advocate an FTA between the United States and Egypt. Egypt's political and economic importance to the United States makes it a ripe target for increased trade.<sup>3</sup> Additionally, Egypt's expressed desire to increase economic reform and gain increased access to the U.S. market makes the country a seemingly willing partner of such an agreement.<sup>4</sup>

This Note will first discuss some background information on

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1. See *infra* note 19.

2. See *infra* note 42 and accompanying text.

3. See *infra* notes 16–17 and accompanying text.

4. See *infra* notes 33–34 and accompanying text.

the role of the Middle East, and Egypt in particular, in U.S. foreign policy. This Note will then provide some additional information on Egypt and examine recent trade policy developments in both Egypt and the United States. Sections II(A) and (B) examine the potential benefits and concerns for the respective countries in entering into an FTA. Finally, by way of comparison to other U.S. FTAs with countries in the region, Section II(C) will provide some recommendations on what such an agreement might include.

## I. BACKGROUND ON EGYPT AND U.S. FOREIGN POLICY

### A. THE ROLE OF THE MIDDLE EAST, AND EGYPT IN PARTICULAR, IN U.S. FOREIGN POLICY

The Middle East is a region of great political and economic importance to the United States. In that region, the United States has a number of strategic interests, ranging from support for the state of Israel and Israel's peaceful relations with its Arab neighbors, to the protection of vital petroleum supplies and the fight against international terrorism.<sup>5</sup> The important political role that the Middle East plays in U.S. foreign policy is evident not only from the fact that much of the U.S. foreign assistance budget is spent in the Middle East,<sup>6</sup> but also from the time and effort that the United States has expended both in trying to resolve the conflict between Israelis and Palestinians and fighting the war in Iraq.<sup>7</sup>

The Middle East was once a center of global trade as countries in the region controlled commerce on the Mediterranean Sea.<sup>8</sup> However, times have changed as now the Middle East's

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5. JEREMY M. SHARP, CONG. RESEARCH SERV., U.S. FOREIGN ASSISTANCE TO THE MIDDLE EAST: HISTORICAL BACKGROUND, RECENT TRENDS, AND THE FY2006 REQUEST 1 (2005), available at <http://www.fas.org/sgp/crs/mideast/RL32260.pdf>. For the purposes of the CRS report, the Middle East is geographically considered to be the area stretching from Morocco to the Persian Gulf, without including Turkey. *Id.* at 1 n.1.

6. Joel Singer, *The Qualifying Industrial Zone Initiative—A New Tool to Provide Economic Assistance to Middle Eastern Countries Engaged in the Peace Process*, 26 *FORDHAM INT'L L.J.* 547, 562 (2003). See also *infra* note 16 and accompanying text.

7. AHMED GALAL & ROBERT Z. LAWRENCE, ANCHORING REFORM WITH A US-EGYPT FREE TRADE AGREEMENT 1 (2005) [hereinafter GALAL & LAWRENCE, ANCHORING REFORM].

8. For example, during the Fatimid Caliphate from A.D. 906 to 1171, Egypt

share of international trade is among the lowest of any area in the world.<sup>9</sup> The region currently faces many economic hurdles, including high population growth rates and unemployment, little economic growth, and increasing competition from emerging markets in Eastern Europe, Latin America, and Asia.<sup>10</sup> While oil is a valuable commodity for many countries in the Middle East and accounts for nearly seventy percent of the region's exports, overall exports have increased at a rate below the global average.<sup>11</sup> In fact, per capita, there are fewer Middle Eastern exports today than there were even twenty years ago.<sup>12</sup> In 2001, foreign direct investment in all Muslim countries was roughly equal to that of Sweden alone.<sup>13</sup> Despite the bleak economic picture painted by these figures, the Middle East is rich in valuable assets, both in human capital and in natural resources. However, the human capital can also be a liability since unemployment is a problem throughout the region; most Middle Eastern countries have an unemployment rate of over ten percent, which

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controlled trade throughout the eastern Mediterranean and developed close ties with European states, which made Alexandria a harbor of worldwide importance. COLUMBIA INTERNATIONAL AFFAIRS ONLINE ATLAS, EGYPT (1990), [http://www.ciaonet.org/atlas/countries/eg\\_data\\_loc.html](http://www.ciaonet.org/atlas/countries/eg_data_loc.html). In fact, the Koran takes a pro-trade stand, stating "[b]ut let there be amongst you Traffic and trade by mutual good-will." *Koran* 004.029 (Yusuf Ali trans.).

9. *E.g.*, Robert B. Zoellick, United States Trade Representative, Address at the World Economic Forum: Global Trade and the Middle East (June 23, 2003) (transcript available at <http://usinfo.state.gov/mena/Archive/2004/Feb/04-446610.html>) [hereinafter Zoellick Address]. In fact, when one discounts oil and farm products, the United States imports nearly twice as much from Hong Kong alone than it does from the twenty-two Arab League member countries collectively. *Id.*

10. See Ahmed Galal & Bernard Hoekman, *Between Hope and Reality: An Overview of Arab Economic Integration*, in *ARAB ECONOMIC INTEGRATION: BETWEEN HOPE AND REALITY* 1–12 (Ahmed Galal & Bernard Hoekman eds., 2003) (explaining why, despite fifty years of repeated attempts, Arab economic integration has been very modest, and drawing on the success of the European Union to assess the scope of Arab economic integration as an instrument for narrowing the persistent gap between the region's economic potential and its performance).

11. Zoellick Address, *supra* note 9 ("Exports from the region—over seventy percent of which are accounted for by oil and oil-related products—grew at one and a half percent per year over the same period, far below a global average growth rate of six percent.").

12. *Id.* ("On a per capita basis, exports are significantly lower today than twenty years ago.").

13. EDWARD GRESSER, PROGRESSIVE POLY INST., BLANK SPOT ON THE MAP: HOW TRADE POLICY IS WORKING AGAINST THE WAR ON TERROR 2 (2003), [http://www.pponline.org/documents/Muslim\\_Trade\\_0203.pdf](http://www.pponline.org/documents/Muslim_Trade_0203.pdf) (citing UN Conference on Trade and Development, *World Investment Report 2002*, <http://r0.unctad.org/wir/>).

is on the high end for developed countries.<sup>14</sup>

According to then-U.S. Trade Representative Robert B. Zoellick, currently serving as the Deputy Secretary of State, the United States has made a "long-term commitment" to assist the Middle East.<sup>15</sup> Between 1971 and 2001, the United States gave nearly \$145 billion in economic and military assistance to countries throughout the Middle East.<sup>16</sup> Egypt was the second largest recipient of that aid, second only to Israel, as Egypt received over \$52 billion, which calculates to an annual amount of almost \$2 billion.<sup>17</sup> This fiscal year, the request for Egyptian aid is approximately \$1.8 billion.<sup>18</sup> According to the United States Agency for International Development (USAID), for almost thirty years, "the United States and Egypt have collaborated closely in economic development and regional stability."<sup>19</sup> A main focus for the economic aid given to Egypt through the USAID program, the chief source of economic aid (as opposed to military aid), is on trade programs to increase Egyptian "openness to international trade."<sup>20</sup>

## B. PROFILE OF EGYPT

Egypt is the most populous Arab country with over seventy-seven million people,<sup>21</sup> representing nearly a quarter of the population of the entire Middle East.<sup>22</sup> However, close to seventeen percent of Egyptians live below the poverty line.<sup>23</sup> Textiles are the largest industry and the leading export after oil products

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14. CENT. INTELLIGENCE AGENCY, *THE WORLD FACTBOOK, EGYPT* (2006), <http://www.cia.gov/cia/publications/factbook/geos/eg.html>. In 2005, Egypt had an estimated workforce of around 21.34 million and an unemployment rate of eleven percent. *Id.*

15. Zoellick Address, *supra* note 9.

16. SHARP, *supra* note 5, at 7.

17. *Id.* Israel received almost \$79 billion in the same time frame. *Id.* The annual earmark for Egypt in Congress's appropriations bills have "included a statement that Egypt should undertake further additional economic reforms." *Id.* at 12. In amount of aid, Jordan immediately follows Egypt with under \$5 billion in aid over the same thirty-year period. *Id.*

18. *Id.* at 13.

19. U.S. Agency for International Development, *Asia and the Near East*, [http://www.usaid.gov/locations/asia\\_near\\_east/countries/egypt/egypt.html](http://www.usaid.gov/locations/asia_near_east/countries/egypt/egypt.html) (last visited Jan. 28, 2006).

20. *Id.*

21. CENT. INTELLIGENCE AGENCY, *supra* note 14.

22. Ahmed Galal & Robert Z. Lawrence, *Egypt, Morocco, and the United States*, in *FREE TRADE AGREEMENTS: US STRATEGIES AND PRIORITIES* 301 (Jeffrey J. Schott ed., 2004) [hereinafter Galal & Lawrence, *Egypt*].

23. CENT. INTELLIGENCE AGENCY, *supra* note 14.

and cotton.<sup>24</sup> Egypt is the world's sixty-sixth largest exporter, just ahead of Iraq, exporting approximately \$11 billion in goods annually, while it imports over \$19 billion annually.<sup>25</sup> The United States is Egypt's second largest exporting partner, and Egypt imports more goods from the United States than from any other country.<sup>26</sup> Although Egypt will remain a large recipient of aid, the United States does plan to reduce its economic assistance to the country, replacing the aid with a mutually-beneficial trade relationship.<sup>27</sup>

In a region often noted for political instability, the government of Egypt has remained relatively unchanged for a remarkably long time span. Egypt's President, Mohammed Hosni Mubarak, has been in power since 1981.<sup>28</sup> His presidency witnessed a period of economic and trade reform in the early to mid 1990s.<sup>29</sup> In fact, from 1991 to 1998, Egypt implemented several structural reforms, including multilateral trade liberalization, privatization of banks, and deregulation of utilities, as well as several institutional reforms by modernizing customs administration, tax administration, and conflict resolution mechanisms.<sup>30</sup>

That period was followed by a lag which saw little progress, and Egypt regressed back to less liberal trade policies.<sup>31</sup> However, in July 2004, a new cabinet was appointed, including several advocates of reform.<sup>32</sup> According to Egyptian Prime Minis-

24. *Id.*

25. *Id.*

26. *Id.*

27. See CURT TARNOFF & LARRY NOWELS, CONG. RESEARCH SERV., FOREIGN AID: AN INTRODUCTORY OVERVIEW OF U.S. PROGRAMS AND POLICY 6 (noting a ten year plan to reduce aid to Israel and Egypt); GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 5 (noting that budgetary pressures have encouraged the United States to pursue ways of decreasing aid to Egypt).

28. CENT. INTELLIGENCE AGENCY, *supra* note 14.

29. See generally Amal Refaat, *Egypt: An Assessment of Recent Trade Policy Developments*, in TRADE POLICY DEVELOPMENTS IN THE MIDDLE EAST AND NORTH AFRICA 113 (Bernard Hoekman & Hanaa Kheir-El-Din eds., 2000) (discussing the developments in Egyptian trade policy in the 1990s).

30. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 5.

31. See generally Mustapha Al-Sayyid, *International and Regional Environments and State Transformation in Some Arab Countries*, in THE STATE AND GLOBAL CHANGE: THE POLITICAL ECONOMY OF TRANSITION IN THE MIDDLE EAST AND NORTH AFRICA 156 (Hassan Hakimian & Ziba Moshaver eds., 2001) (discussing the progress and regression in Egyptian trade).

32. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 5. New reformers include Minister of Industry and Trade Rashid Mohamed Rashid, who was educated in the United States and was a member of the American Egyptian President's Council, and Mahmoud Mohieddin, Minister of Investment Development, an econo-

ter Ahmed Nazif, the new Egyptian Cabinet "has a specific mandate to accelerate economic, social, and political reforms."<sup>33</sup> President Mubarak himself has indicated that economic reform takes high priority.<sup>34</sup> The recent lack of economic reform has also hindered the growth of foreign direct investment in Egypt.<sup>35</sup> However, in 2004, thanks in part to the momentum of the cabinet, Egypt employed several procedures to increase foreign direct investment in the country, including reforming customs and income and corporate taxes, reducing energy subsidies, and moving towards further privatization.<sup>36</sup>

### C. RECENT DEVELOPMENTS IN U.S. FOREIGN AND TRADE POLICY

Like many countries, the United States has put an increased emphasis on creating free trade areas.<sup>37</sup> According to the Office of the U.S. Trade Representative,

Free trade creates higher-paying jobs for American workers, more choices and lower prices for hardworking families, reduces the cost of doing business in the global economy, creates new markets and new opportunities for U.S. products and services, helps cut poverty and raise incomes through economic growth, and helps to deepen the roots

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mist who is a "vocal proponent of greater political freedoms and radical economic reforms." Shaden Shehab, *The Cabinet's New Look*, AL-AHRAM WEEKLY ONLINE, July 15, 2004, <http://weekly.ahram.org/2004/699/eg1.htm>.

33. STAFF OF H.R. COMM. ON WAYS AND MEANS, 108TH CONG., REPORT ON TRADE MISSION TO TUNISIA, JORDAN, OMAN, AND EGYPT 28 (Comm. Print 2005).

34. See *Mubarak Discusses Views on Host of Issues; Reform Takes Priority*, ARABIC NEWS.COM, Jan. 21, 2004, <http://www.arabicnews.com/ansub/Daily/Day/040121/2004012127.html>. But see Charles Robert Davidson, *Reform and Repression in Mubarak's Egypt*, 24 FLETCHER F. WORLD AFF. 75, 93 (2000) (arguing that Mubarak's emphasis on reform amounts to little more than lip service).

35. CENT. INTELLIGENCE AGENCY, *supra* note 14. The annual GDP growth in Egypt from 2001 to 2003 was around two or three percent. *Id.*

36. *Id.*

37. See generally Sydney M. Cone, III, *The Promotion of Free-Trade Areas Viewed in Terms of Most-Favored-Nation Treatment and "Imperial Preference"*, 26 MICH. J. INT'L L. 563, 563 (2005) (noting that the United States has increasingly looked to create agreements outside the framework of the World Trade Organization (WTO)). Article 24 of the General Agreement on Tariffs and Trade (GATT) allows a combination of two or more countries to dismantle all trade barriers among themselves. Jagdish Bhagwati, *Beyond NAFTA: Clinton's Trading Choices*, 91 FOREIGN POL'Y 155, 155-56 (1993). The United States is not alone. Trade agreements have grown at a phenomenal rate, from 50 in 1990 to over 230 today. THE WORLD BANK, GLOBAL ECONOMIC PERSPECTIVES: TRADE, REGIONALISM, AND DEVELOPMENT 28 (2005), available at <http://siteresources.worldbank.org/INTGEP2005/Resources/gep2005.pdf>. According to the World Trade Organization, by July 2005, the only WTO member not party to a regional trade agreement was Mongolia. World Trade Org., Regionalism: Friends or Rivals, [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/bey1\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/bey1_e.htm) (last visited Jan. 28, 2006).

of democracy and stability in parts of the world that have seen too little of both. This is an important time to be pursuing those objectives.<sup>38</sup>

The United States is currently party to numerous regional and bilateral FTAs,<sup>39</sup> many of which have been negotiated within the past five years.<sup>40</sup> Because of its overall economic power, the United States has been a sought-after partner for the creation of FTAs.<sup>41</sup> While economic interests have provided the impetus for America's trading partners to seek agreements with the United States, political considerations are often the chief consideration for the United States in deciding with which countries and regions it will pursue FTAs.<sup>42</sup> In 1997, the United

38. Office of the United States Trade Representative, 2004 Trade Policy Agenda and 2003 Annual Report of the President of the United States on the Trade Agreements Program (2004), [http://www.ustr.gov/Document\\_Library/Reports\\_Publications/2004/2004\\_Trade\\_Policy\\_Agenda/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/2004/2004_Trade_Policy_Agenda/Section_Index.html) (follow "Overview of the 2004 Agenda" hyperlink).

39. See United States Trade Representative, <http://www.ustr.gov> (follow "Trade Agreements" hyperlink) (last visited Jan. 27, 2006) (listing the countries with which the United States has agreements). Regional FTAs to which the United States is a party include the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement (CAFTA). *Id.* The United States has bilateral FTAs with Australia, Bahrain, Chile, Israel, Jordan, Morocco, and Singapore. *Id.*

40. *Id.* Agreements with Australia, Bahrain, and Morocco were all signed in 2004, while agreements with Chile and Singapore were entered into in 2003. *Id.* Additionally, the United States is also a party to several bilateral investment treaties. See *id.* (listing bilateral investment treaties with thirty-nine different countries, including Egypt).

41. Cone, *supra* note 37, at 574. The United States is the world's only superpower, and thus "the ability to sell products into the U.S. market is of enormous value, and trading rights which confer that ability are correspondingly valuable." *Id.* See also C. Fred Bergsten, *Preface to FREE TRADE AGREEMENTS: US STRATEGIES AND PRIORITIES* ix (Jeffrey J. Schott ed., Inst. for Int'l Econ. 2004) (noting that many countries want to initiate free trade discussions with the United States).

42. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 1. The United States has bilateral agreements in the Middle East with Bahrain, Israel, Jordan, and Morocco. *Id.* The 9/11 Commission Report recommends "a comprehensive U.S. 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." THE NAT'L COMM. ON TERRORIST ATTACKS UPON THE U.S., THE 9/11 COMMISSION REPORT: FINAL REPORT OF THE COMMISSION ON TERRORIST ATTACKS UPON THE UNITED STATES 378-79 (Gov't Printing Office 2004), available at <http://www.gpoaccess.gov/911/>.

Terrorism is not caused by poverty. Indeed, many terrorists come from relatively well-off families. Yet when people lose hope, when societies break down, when countries fragment, the breeding grounds for terrorism are created. Backward economic policies and repressive political regimes slip into societies that are without hope, where ambition and passions have no constructive outlet.

*Id.* at 378.



States decided that Egypt was one such country, and U.S. Vice President Al Gore and Egyptian President Mubarak met to consider a bilateral FTA.<sup>43</sup> Those talks did not end in an agreement.<sup>44</sup>

Not only has the U.S. executive branch become more willing to use trade agreements to pursue political objectives, but the U.S. trade environment has also become more favorable for the potential partners of such agreements.<sup>45</sup> This is largely due to the fact that in June 2002, President Bush was granted trade promotion authority.<sup>46</sup> Trade promotion authority, often called "fast track," is the trade negotiating authority granted by Congress that allows the President to negotiate international trade agreements, giving Congress ninety legislative days to approve or reject the agreement without the option of Congressional amendment.<sup>47</sup> Also, the United States has adopted a strategy of "competitive liberalization."<sup>48</sup> The policy of "competitive liberalization" involves "stimulating a competition among trading partners for access to U.S. markets; the inclusion of provisions in trade agreements not directly related to market access; and a greater role for foreign and security policy in U.S. trade policy-making than in the past."<sup>49</sup> The policy incorporates a network of FTAs concluded between the United States and numerous countries.<sup>50</sup> Finally, the September 11, 2001 terrorist attacks spurred U.S. interest in increasing the Middle East's level of economic development.<sup>51</sup>

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43. BUS. STUDIES & ANALYSIS CTR., THE AMERICAN CHAMBER OF COMMERCE IN EGYPT, EGYPT AND THE U.S.: A SOLID AND LASTING PARTNERSHIP 21 (2001), <http://www.amcham.org.eg/dk2001/pdffiles/FTA.pdf>.

44. For a discussion of why the talks did not yield an FTA between the two countries, see GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 3 (citing U.S. disappointment at the pace of Egyptian reforms and discontent over a case Egypt did not support in the WTO). See also BUILDING BRIDGES: AN EGYPT-U.S. FREE TRADE AGREEMENT (Ahmed Galal & Robert Z. Lawrence eds., 1998) (providing a general discussion on the talks).

45. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 3.

46. Washington Council on International Trade, Issue Brief: Fast Track Negotiating Authority, [http://www.wcit.org/resources/publications/issue\\_briefs/ib\\_fast\\_track.htm](http://www.wcit.org/resources/publications/issue_briefs/ib_fast_track.htm) (last visited Jan. 28, 2006).

47. *Id.* See also SHARP, *supra* note 5 (providing a further discussion on the history of fast track negotiation in the United States).

48. See generally SIMON J. EVENETT, "COMPETITIVE LIBERALIZATION": A TOURNAMENT THEORY-BASED INTERPRETATION (2005), <http://www.nd.edu/~jbergstr/Evenett%20Sept2005.pdf> (discussing the policy of "competitive liberalization").

49. *Id.* at 1.

50. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 3.

51. *Id.*

In a November 6, 2003 speech, President Bush outlined a new diplomatic strategy for the Middle East with a goal of enhancing the global competitiveness of Middle Eastern countries.<sup>52</sup> The strategy came to be known as the Middle East Partnership Initiative (MEPI), and it is to be funded with \$293 million over four fiscal years in addition to the bilateral economic assistance already provided to the region.<sup>53</sup> Egypt is a MEPI country.<sup>54</sup> Additionally, at a commencement address in 2003, President Bush proposed “the establishment of a U.S.-Middle East free trade area within a decade.”<sup>55</sup>

#### D. RECENT DEVELOPMENTS IN EGYPTIAN TRADE POLICY

Egypt has signed bilateral trade agreements with Iraq, Jordan, Lebanon, Libya, Morocco, Syria, and Tunisia.<sup>56</sup> Egypt also signed an agreement with the European Union in 2002 that will remove barriers to trade on all merchandise that is non-agricultural over a twelve-year span.<sup>57</sup> Egypt was also a driving force behind the establishment of the Pan Arab Free Trade Agreement (PAFTA) in 1998, a regional agreement that aims at eliminating customs duties for goods originating from member countries.<sup>58</sup>

In 1999, the United States and Egypt signed a trade and

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52. President George W. Bush, Remarks at the 20th Anniversary of the National Endowment for Democracy (Nov. 6, 2003), available at <http://www.state.gov/p/neas/rls/rm/26019.htm>. One of the initiative's goals is to further economic reform by connecting “Arab, U.S., and global private sector businesses, non-governmental organizations, civil society elements, and governments together to develop innovative policies and programs that support reform in the region.” CEDPA Field Offices, CEDPA/Egypt, <http://www.cedpa.org/egypt/> (follow “Recent News” hyperlink) (last visited Jan. 31, 2006).

53. Middle East Partnership Initiative, Countries, <http://mepi.state.gov/c10128.htm> (last visited Jan. 29, 2006).

54. Middle East Partnership Initiative, <http://mepi.state.gov/mepi/> (last visited Jan. 29, 2006). See Middle East Partnership Initiative, Egypt, <http://mepi.state.gov/c10128.htm> (last visited Jan. 29, 2006), for further details on what the MEPI program plans to do in Egypt, namely support economic reform and employment growth by fostering private sector expansion and entrepreneurship.

55. President George W. Bush, Remarks in Commencement Address at the University of South Carolina (May 9, 2003), available at <http://www.state.gov/p/nea/rls/rm/20497.htm>.

56. BUS. STUDIES & ANALYSIS CTR., *supra* note 43, at 13.

57. Bernard Hoekman & Denise Konan, *Economic Implications of a US-Egypt FTA*, in GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 43.

58. *Id.* See also League of Arab States, The Agreement of Arab Free Trade Area, [http://www.arableagueonline.org/arableague/english/details\\_en.jsp?art\\_id=746&level\\_id=273](http://www.arableagueonline.org/arableague/english/details_en.jsp?art_id=746&level_id=273) (last visited Jan. 29, 2006). PAFTA is also sometimes referred to as the Greater Arab Free Trade Area (GAFTA).

investment framework agreement in order to facilitate bilateral trade and investment issues between the two countries.<sup>59</sup> In June 2003, the two countries considered launching FTA negotiations, but those talks never happened, largely because Egypt withdrew its initial support backing the United States in a U.S.-launched World Trade Organization (WTO) case involving genetically-modified organisms.<sup>60</sup> A trade relationship continued to move forward, however, and in December 2004, the United States, Egypt, and Israel signed a trade protocol to establish three Qualified Industrial Zones in Egypt.<sup>61</sup> Subject to some conditions, items produced as joint ventures between Egyptian and Israeli companies in these areas can be exported to the United States without duty and regardless of quotas.<sup>62</sup> It is hoped that this agreement will be especially beneficial for textiles, Egypt's largest industry, by providing the industry with improved access to the United States.<sup>63</sup> Improved access to the world's largest market would then help create jobs and lure foreign investment.<sup>64</sup>

This is especially important considering that the WTO is about to lift quotas for trade in textiles for member countries, increasing global competition in the industry.<sup>65</sup> In remarks regarding the zone, Egyptian Minister for Industry and Foreign Trade Rachid Mohamed Rachid has said: "Economic interests alone are not linked to this agreement. This agreement is consistent with our efforts, which started a long time ago with the signing of peace between Israel and Egypt. There is no time to waste, and we must act now to secure peace and prosperity."<sup>66</sup>

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59. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 3.

60. *Id.* Although Egypt had initially agreed to side with the United States as a co-complainant, it eventually decided to support the European Union. *Id.* at 6.

61. Guy Harpaz & Rachel Frid, *Israel: Qualified Industrial Zones—Economic Protocol Signed by the United States, Egypt and Israel Establishing Three Qualified Industrial Zones in Egypt*, INT'L TRADE L. REG., Mar. 2005, at N9.

62. *Id.*

63. *Id.* at N10.

64. *Id.*

65. *Id.*

66. *Id.* Egypt and Israel signed a historic peace agreement in 1979. *Id.* at N9. Recently, political relations seem to have strengthened between Egypt and Israel, likely in large part because Egypt would like to play more of a role in the Israeli-Palestinian conflict. *Id.* at N10. See also Singer, *supra* note 6, at 560.

## II. THE OUTLOOK FOR FREE TRADE WITH EGYPT

### A. CONSIDERATIONS FOR THE UNITED STATES

#### 1. *Potential Agreement Benefits for the United States*

Former U.S. Trade Representative Robert B. Zoellick has written that “[t]hrough free-trade agreements . . . we can embrace reforming states, encouraging their transformation and bolstering their chances for success even as we open new markets for American goods and services.”<sup>67</sup> He continued, noting that the United States has an “immense” strategic interest in the outcome of the struggle in the Middle East between reformers and those in power.<sup>68</sup> Similarly, Representative Bill Thomas (R-CA), Chairman of the House Ways and Means Committee, has stated that “trade brings countries together.”<sup>69</sup> Chairman Thomas has emphasized that “the United States remains committed to multinational trade liberalization through the WTO, but because each WTO member country is entitled to a veto, the process is slow, so the United States is also seeking bilateral and regional trade agreements in the meantime with countries that are ready.”<sup>70</sup>

United States trade policy currently focuses on establishing

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67. Robert B. Zoellick, Editorial, *When Trade Leads to Tolerance*, N.Y. TIMES, June 12, 2004, at A13. Zoellick went on to say, “[p]iece by piece, the [Bush] administration is building a mosaic of modernizers with a plan that offers trade and openness as tools for Muslim leaders looking toward the rebirth of an optimistic and tolerant Islam.” *Id.*

68. *Id.*

69. STAFF OF H.R. COMM. ON WAYS AND MEANS, 108TH CONG., *supra* note 33, at 27.

70. *Id.* at 28. Chairman Thomas also emphasized that uniformity is an important element in such agreements, especially in the areas of “financial services, transparency, and agriculture non-tariff barriers to trade, because exceptions in these areas make it difficult to conclude an agreement.” *Id.* “Also, unequal FTAs would make it difficult to integrate various FTAs in the region in the future to create larger regional and ultimately multinational agreements,” and in his view such agreements should eventually be integrated. *Id.* According to Thelma Askey, who at the time was the Director of the U.S. Trade and Development Agency, “[m]oving forward with bilaterals is thus a way to say to the GATT members and bureaucrats that the United States will offer its large market to those who want to accept market disciplines, but it is willing to leave the foot-draggers behind.” Shara Aranoff, *Regional Trade Organizations: Strengthening or Weakening Global Trade?*, 88 AM. SOC’Y INT’L L. PROC. 309, 319 (1994). Note, however, that “[t]he United States rarely pursues bilateral or regional negotiations without having multilateral objectives clearly in mind.” *Id.* at 321.

free trade areas with countries across the world.<sup>71</sup> Several motivations have been cited for this policy, including “enhancing goods and services trade; stimulating investment flows; extending standards on intellectual property rights, labour, and the environment; and addressing geopolitical concerns.”<sup>72</sup> This trade approach can provide several advantages. Trade and other foreign policies are given more attention and more opportunity for domestic support when linked to domestic politics.<sup>73</sup> The approach also realizes that boosting foreign countries economically can further U.S. political interests, creating stronger bonds between countries because “political alliances help to encourage flows of trade, investment, and people between the partner countries.”<sup>74</sup>

Most importantly for the United States, the adoption of FTAs seems to be especially linked to national security considerations.<sup>75</sup> The United States has used FTAs to strategically further relationships that it believes are key in fighting terrorism.<sup>76</sup> This factor seems to have been especially prevalent in the negotiation of agreements with Middle Eastern countries such as Israel and Jordan.<sup>77</sup> That is not to say that economic concerns play no role for the United States in the development of FTAs—such pacts help increase the access of U.S. exporters to foreign markets because they reduce trade barriers.<sup>78</sup> They can also assist U.S. companies by countering the discriminatory preferences in other FTAs to which the United States is not a party.<sup>79</sup> The Bush administration has also suggested that this approach to international trade can complement multilateral trade liberalization by “helping to forge common negotiating positions with partners, or compensate for slow progress in these negotiations.”<sup>80</sup>

The political relationship between the United States and the Muslim and Arab countries of the Middle East has changed

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71. See *supra* notes 37–42 and accompanying text.

72. Alvin Hilaire & Yongzheng Yang, *The United States and the New Regionalism/Bilateralism*, 38 J. OF WORLD TRADE 603, 603 (2004).

73. Jeffrey J. Schott, *Assessing US FTA Policy*, in FREE TRADE AGREEMENTS: US STRATEGIES AND PRIORITIES 376 (Jeffrey J. Schott ed., 2004).

74. *Id.*

75. Hilaire & Yang, *supra* note 72, at 605.

76. *Id.* This can explain the United States' desire to conclude a regional FTA in the Middle East.

77. See *infra* notes 199–202 and accompanying text.

78. Hilaire & Yang, *supra* note 72, at 605.

79. *Id.*

80. *Id.*

and deteriorated in many ways in the aftermath of the September 11, 2001 terrorist attacks.<sup>81</sup> Many people throughout the world believe that the United States is targeting the Middle East solely because of its oil, especially after the war in Iraq.<sup>82</sup> Many Middle Easterners also feel that U.S. foreign policy favors Israel over Palestine.<sup>83</sup> These beliefs could be an especially significant problem when trying to form trade partnerships with Middle Eastern countries but also show that increasing the trade relationship with the region could benefit the image and reputation of the United States.<sup>84</sup>

On the other hand, many in the United States attribute the Middle East's dissatisfaction with America to poverty and the lack of economic progress compared with that of Western nations.<sup>85</sup> Even if such perceptions are without merit, both sides would benefit by taking steps to improve relations and encourage further development in the Middle East. While not a panacea, negotiating an FTA with a powerful country in the region, like Egypt, could be a positive step in the right direction for the United States. Egypt is an extremely influential player in the Middle East, having hosted the Arab League since its inception in 1945, and often shapes the policies of the entire region, such as by leading the region in its efforts to resolve the conflict between the Israelis and the Palestinians.<sup>86</sup> Additionally, pro-Israeli groups seem to support Egypt's role in the peace process. The American Israel Public Affairs Committee (AIPAC) has noted that Egypt "honors its treaty commitments to Israel."<sup>87</sup> In fact, since AIPAC has expressed concern with growing Islamic fundamentalism threatening the Mubarak government,<sup>88</sup> it follows that economic development strengthening the state would

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81. See Pew Charitable Research Ctr., <http://people-press.org/reports/display.php3?ReportID=165> (last visited Jan. 27, 2006) ("Despite an initial outpouring of public sympathy for America following the September 11, 2001 terrorist attacks, discontent with the United States has grown around the world over the past two years.")

82. See *id.* (stating that many thought the United States invaded Iraq for oil).

83. THE PEW RESEARCH CTR. FOR THE PEOPLE & THE PRESS, VIEWS OF A CHANGING WORLD 5 (2003), <http://people-press.org/reports/pdf/185.pdf>; see also Galal & Lawrence, *Egypt*, *supra* note 22, at 313.

84. See Galal & Lawrence, *Egypt*, *supra* note 22, at 313.

85. See *id.*

86. *Id.* at 301.

87. AM. ISRAEL PUB. AFFAIRS COMM., REGIONAL THREATS: PROLIFERATION, TERRORISM AND EXTREMISM 8, <http://www.aipac.org/Regional.PDF> (last visited Feb. 3, 2006).

88. *Id.*

be welcomed by the organization. Due to Egypt's role in the Middle East, the country is an excellent point for expanding America's FTAs in the region and could not be left out of an ultimate U.S.-Middle East agreement.<sup>89</sup>

For the United States, an FTA with Egypt would "indicate a willingness to promote the economic dimension and facilitate development."<sup>90</sup> The United States would benefit by moving its relationship with Egypt further away from aid with more of a focus on trade and from adding an additional economic component to the Middle East peace process.<sup>91</sup> Such a move is not without precedent, as facilitating free trade has been viewed as a method to encourage regional stability since at least the aftermath of World War II.<sup>92</sup> Economic reform and creating a tighter relationship among the Middle Eastern states "is now discussed as vital to bring the region out of the peace process and into the peace."<sup>93</sup> Also similar to the aftermath of World War II, an FTA could help the United States further political reform in Egypt and the region as it could use a closer trade relationship to encourage further moves towards true democratization.<sup>94</sup>

89. See David Armstrong, *U.S. Pays Back Nations that Supported War*, S.F. CHRON., May 11, 2003, at I-1 (giving the opinion of John Howard, Vice President for International Policy and Programs for the U.S. Chamber of Commerce, that Egypt should receive FTA consideration before countries such as Turkey); see also GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 4 (noting that Egypt would "certainly" have to be part of any regional FTA involving the United States).

90. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 2.

91. *Id.* "[T]rade agreements have played a role in the Middle East peace process." Colin B. Picker, *Regional Trade Agreements v. The WTO: A Proposal for Reform of Article XXIV to Counter This Institutional Threat*, 26 U. PA. J. INT'L ECON. L. 267, 278 (2005). The U.S.-Jordan FTA was seen largely as a reward for Jordan's peace agreement with Israel. Mohammad Nsour, *Fundamental Facets of the United States-Jordan Free Trade Agreement*, 27 FORDHAM INT'L L.J. 742, 742 (2004). See also *supra* note 27 and accompanying text.

92. "Additionally, in those post-[WWII] years, [free trade agreement] formation was encouraged as another mechanism to help increase security in Europe." Picker, *supra* note 91, at 274. It is also interesting to note that President Franklin Roosevelt claimed that economic cooperation and free trade would help avoid another World War. Picker, *supra* note 91, at 274 n.19 (citing JAMES H. MATHIS, REGIONAL TRADE AGREEMENTS IN THE GATT-WTO: ARTICLE XXIV AND THE INTERNAL TRADE REQUIREMENT 28 (2002)).

93. Jack I. Garvey, *Regional Free Trade Dispute Resolution as Means for Securing the Middle East Peace Process*, 47 AM. J. COMP. L. 147, 147 (1999). The author argues that the principals in the peace negotiations view economic cooperation as necessary. *Id.* at 148. "All sides appear to agree that mutual interest in stability and normalization of relations can be realized through the natural benefits of liberalized trade." *Id.* at 149.

94. See AMR HAMZAWY & NATHAN J. BROWN, CARNEGIE ENDOWMENT FOR

Trade expert Robert Z. Lawrence notes that there are four broad categories of interests for the United States in an FTA with Egypt.<sup>95</sup> The first is U.S.-Egypt economic relations, including providing economic benefits and improving access to Egyptian markets for U.S. companies.<sup>96</sup> The second involves Egyptian economic development in light of the fact that Egypt is an important ally that the United States would like to see develop for several reasons, not the least of which is to decrease the need for U.S. aid.<sup>97</sup> The third category is regional economic development, promoting economic development and peace in the region.<sup>98</sup> Lawrence's final category involves using U.S. trade policy to lead the way to a more open global system for trade and investment.<sup>99</sup> As previously noted, many believe that it is the non-economic benefits, likely fitting broadly within Lawrence's middle two categories, that serve as the primary reasons for the United States to enter into FTAs.<sup>100</sup>

Another expert, Ahmed Galal, believes that an FTA with Egypt could have four concrete and advantageous effects.<sup>101</sup> The

INTERNATIONAL PEACE, CAN EGYPT'S TROUBLED ELECTIONS PRODUCE A MORE DEMOCRATIC FUTURE? 9 (2005), <http://www.carnegieendowment.org/files/PO24.brown.hamzawy.FINAL1.pdf> (noting that a real democracy is most likely to emerge in the Middle East in a country that truly has political give and take).

95. Robert Z. Lawrence, *Toward an Egypt-U.S. Free Trade Agreement*, in BUILDING BRIDGES: AN EGYPT-U.S. FREE TRADE AGREEMENT 67 (Ahmed Galal & Robert Z. Lawrence eds., 1998). Robert Z. Lawrence is a Professor of International Trade and Investment at the John F. Kennedy School of Government at Harvard University and a Senior Fellow at the Institute for International Economics.

96. *Id.*

97. *Id.*

98. *Id.*

99. *Id.* "The United States, Israel, and some Arab countries have recognized that political and strategic interests can be furthered more effectively through economic cooperation and interaction (integration)." Roni N. Halabi, Note, *Stability in the Middle East Through Economic Development*, 2 DRAKE J. AGRIC. L. 275, 294 (1997). FTAs lead to increased stability because they expand trade, encourage private investment, encourage export-led growth policies, expand economic growth, and create jobs. *Id.* Egypt's protected economy does not allow foreign investors to play much of a role in the country, and therefore participating in the Egyptian market is difficult for American investors. Lawrence, *supra* note 95, at 37. United States governmental reports have identified many impediments to trading with Egypt, including "official policies such as import licensing, high tariffs, time-consuming and expensive customs and quality control procedures, and unofficial practices that in some cases reflected corruption." *Id.*

100. See THE WORLD BANK, *supra* note 37, at 35-40 (discussing non-economic benefits of FTAs); Picker, *supra* note 91, at 278 ("In particular, foreign policy and national security continue to be significant reasons for entering into RTAs."); see also *supra* notes 74-75 and accompanying discussion.

101. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 10. Ahmed



first is a demonstrative effect—given Egypt's role as a regional leader and the tendency of its neighbors to emulate it, "[b]y virtue of Egypt's size, location, and cultural and political leadership in the region, successful reform there could have a positive demonstrative effect throughout the Middle East."<sup>102</sup> The second is a reform-boosting effect because the reform process in Egypt "has been steady but incremental," and remains incomplete.<sup>103</sup> Galal asserts that this is because political feasibility and social concerns have been important factors throughout the Egyptian reform process, and that when reforms picked up speed in the early 1990s, they were anchored by commitments Egypt had made to the international community.<sup>104</sup> This suggests that external agreements, such as a U.S.-Egypt FTA, may hasten the reform process.<sup>105</sup>

The third effect is a diversion avoidance effect. Because Egypt has entered into a number of FTAs with the European Union and other parties, a U.S.-Egypt FTA "would prevent US exporters and investors from being at a disadvantage in the Egyptian market, especially compared with the European Union."<sup>106</sup> Galal's fourth effect is the sustainability of bilateral economic relations between the two countries, because the relationship currently depends heavily on U.S. aid to Egypt.<sup>107</sup> By moving the relationship more towards trade and away from aid, the United States might be seen less as helping Egypt for purely political reasons, instead moving the relationship forward to involve more economic cooperation than dependence. In fact, helping Egypt become stronger economically will only make the country a more capable and valuable ally to have in the region. Finally, if the United States wants to see free trade in the Middle East,<sup>108</sup> it must continue pressing forward with bilateral agreements or risk the entire policy falling apart. Concluding

Galal is executive director and director of research at the Egyptian Center for Economic Studies (ECES) in Cairo and a staff member of the World Bank.

102. *Id.* Culturally, Egypt produces many of the Arabic language books, music, and movies, and politically has hosted the Arab League since inception and led military and diplomatic efforts to resolve Israeli-Palestinian conflict. *Id.*

103. *Id.* at 11.

104. *Id.* Egypt had promised to increase reform efforts because of agreements with the International Monetary Fund (IMF) and the World Bank. *Id.*

105. *Id.* at 11.

106. *Id.* at 16. Egypt's trade agreement with the European Union will eliminate tariffs on EU exports within twelve years, and "[w]ithout a similar agreement with the United States, US exports will be seriously penalized." *Id.*

107. *Id.* at 10.

108. See *supra* notes 52-55 and accompanying discussion.

an FTA with Egypt will not only help the United States maintain a strong relationship with the country, but will also encourage other countries in the region to follow Egypt's lead and negotiate similar agreements with the United States.

## 2. Potential Concerns for the United States

Opponents of FTAs often cite potential environmental degradation, focus on the costs to American labor, or are concerned about labor in the foreign countries.<sup>109</sup> Deputy Secretary of State Zoellick, however, believes that these arguments are "self-defeating" because agreements entered into by the United States "require our partners to enforce their labor and environmental laws and strive to upgrade their standards."<sup>110</sup> He believes that FTAs are "a powerful way to strengthen openness and democracy, counter poverty, encourage tolerance and promote better working conditions."<sup>111</sup> While there is a fear that increased trade leading to further economic activity will degrade the environment, trade is not necessarily linked to things like pollution and it is important to note that most environmental groups do support FTAs that have environmental protections built into the agreements.<sup>112</sup>

Some argue that trade liberalization on a multilateral basis through the WTO is preferable to regional and bilateral agreements because multilateral agreements are better at avoiding trade diversion and complications can arise with the creation of many agreements that must overlap.<sup>113</sup> Additionally, overlap-

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109. Zoellick, *supra* note 67, at A13. As an example of how labor can impact such agreements, the U.S. textile industry is a powerful lobby that is concerned about preserving barriers to imports and has opposed agreements that have allowed for more free importation of textiles into the United States. See Dan Ikenson, Center for Trade Policy Studies, *Threadbare Excuses: the Textile Industry's Campaign to Preserve Import Restraints*, Oct. 15, 2003, <http://www.freetrade.org/pubs/pas/tpa-025es.html>.

110. Zoellick, *supra* note 67, at A13. As evidence, Zoellick cites labor reforms in countries that have entered FTAs with the United States, such as Morocco. *Id.*

111. *Id.* Zoellick argues that free-trade agreements help to integrate economic reforms "with the struggle for democracy and tolerance that is vital to our security." *Id.*

112. See generally DOUGLAS A. IRWIN, *FREE TRADE UNDER FIRE* 48-54 (2002) (discussing free trade and environmental concerns).

113. Picker, *supra* note 91, at 270. See also *Free Trade Deals: Is the United States Losing Ground As Its Trading Partners Move Ahead?: Hearing Before the Subcomm. on Trade of the Comm. on Ways & Means, 107th Cong. 9* (2001) (testimony of Jeffrey J. Schott, Senior Fellow, Institute for International Economics), available at <http://www.iie.com/publications/papers/paper.cfm?ResearchID=405>.

ping agreements pose a threat to the WTO, and therefore "[d]espite the specific benefits of individual [regional trade agreements], when taken as a whole, they tend to undermine the development of the multilateral trade system."<sup>114</sup> This line of thought concludes that the establishment of trade agreements outside the WTO structure has slowed progress in the WTO and has hurt free trade.<sup>115</sup>

However, regional agreements can play an important role in trade liberalization, especially when moving away from pure economic analysis and factoring in political concerns.<sup>116</sup> There are several factors that impact the effectiveness of such regional agreements. Regional agreements are most likely to offer the greatest benefits and create the least diversion if they are comprehensive and cover a diverse regional area.<sup>117</sup> The emphasis should be on assisting countries to achieve shared economic and trade objectives, not using threats to force an agreement that is more advantageous for the stronger trading partner.<sup>118</sup> Regional agreements may play "an important role in helping lock in broader reform agendas among participating countries."<sup>119</sup> Additionally, some have argued that incremental trade liberalization is a better route for Middle Eastern countries because it helps to avoid political instability.<sup>120</sup> However, this is less of a problem for this proposed agreement because the government of Egypt is stable compared to other regimes in the region.<sup>121</sup>

Another concern for a potential U.S.-Egypt trade agreement is that FTA talks between the two countries have already broken down once.<sup>122</sup> Two reasons have been given for the breakdown of the FTA negotiations. The first reason is the slowed pace of Egypt's economic reform process after 1998.<sup>123</sup> This re-

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114. Picker, *supra* note 91, at 270. *But see* Aranoff, *supra* note 70, at 310 (arguing that regionalism has been prevalent in the world for a long time, with the big difference being that the United States changed its position in the 1980s with respect to regionalism, resulting in the zeal for new regional initiatives).

115. Picker, *supra* note 91, at 318.

116. *Id.*

117. Hilaire & Yang, *supra* note 72, at 610.

118. *Id.*

119. *Id.*

120. *See generally* Raymond Hinnebusch, *The Politics of Economic Liberalization: Comparing Egypt and Syria*, in *THE STATE AND GLOBAL CHANGE: THE POLITICAL ECONOMY OF TRANSITION IN THE MIDDLE EAST AND NORTH AFRICA* 111 (Hassan Hakimian & Ziba Moshaver eds., 2001).

121. *See supra* note 28 and accompanying discussion.

122. *See supra* notes 43-44 and accompanying discussion.

123. GALAL & LAWRENCE, *ANCHORING REFORM*, *supra* note 7, at 5. From 1991 to 1998, Egypt undertook several economic reforms, including multilateral trade liber-

duced pace has raised doubts for some about whether Egypt can meet the standards America demands in a strong trading partner.<sup>124</sup> The second reason is that the United States did not trust Egypt after the country decided not to back the United States in the WTO case involving genetically-modified organisms.<sup>125</sup> However, a trade agreement could not only hasten Egyptian reform, but could bring the two countries together in a way to make such WTO disagreements less likely.<sup>126</sup>

A general concern for free trade opponents is the fact that, by their very nature, FTAs discriminate against other countries not party to the pact. Since it is an agreement between a set number of countries, other countries must be excluded.<sup>127</sup> To overcome this inherent discrimination, countries must constantly seek new partners with which to join FTAs. For example, the U.S.-Israel FTA contributed to the need and desirability for an agreement with Jordan.<sup>128</sup> There are also concerns that such agreements can undermine sovereignty by restricting partner countries' ability to make decisions.<sup>129</sup> This is a political reality of all treaties, however, and a necessary facet of being a leading member of an increasingly global community and economy. It is certainly true that there is only so much political and economic integration the United States is willing to accept.<sup>130</sup>

Additionally, if an FTA spanning the entire Middle East is truly a goal of the United States,<sup>131</sup> former Egyptian Minister of Foreign Trade, Dr. Youssef Boutros Ghali, believes "the only way to attract other large countries in the region such as Saudi

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alization, bank privatization, and utilities deregulation, in addition to reforms to reduce transaction costs by reworking certain areas of customs, taxes, and conflict resolution mechanisms. *Id.*

124. *Id.*

125. See *supra* note 60 and accompanying discussion.

126. See *supra* note 67 and accompanying discussion.

127. Howard Rosen, *Free Trade Agreements as Foreign Policy Tools: The US-Israel and US-Jordan FTAs*, in *FREE TRADE AGREEMENTS: US STRATEGIES AND PRIORITIES* 301 (Jeffrey J. Schott ed., 2004).

128. *Id.* at 74-75.

129. Aranoff, *supra* note 70, at 309. Charles Roh was a member of the U.S. Trade Representative's Office and deputy chief negotiator of NAFTA. Mr. Roh also notes that, "[o]ne of the reasons the United States refrained for many years from free trade agreements was a concern that it made us look as though we were choosing from among our best friends who would be our *most* best friend." *Id.*

130. *Id.* at 321 (noting that the United States would never subject itself to an agreement as encompassing as the European Union because EU member countries are more integrated than the United States is willing to become with another country).

131. See *supra* note 55 and accompanying text.

Arabia is to conclude an FTA with Egypt.<sup>132</sup> He contends that other countries, such as Jordan and Morocco, with which the United States has concluded agreements, are too small to be significant.<sup>133</sup> Additionally, given Egypt's significance in the region, it would not only be a catalyst for other countries to join similar agreements but would be a necessary player in the eventual success of any regional agreement.<sup>134</sup> There are also concerns that a bilateral agreement could hurt other countries in the Middle East if it is not eventually converted into a larger regional FTA that incorporates other countries throughout the region.<sup>135</sup>

A final area of concern for the United States involves human rights. There are several human rights concerns that have been cited in Egypt, such as torture, restrictions on the freedoms of association and religion, ill-treatment of homeless children, and women's rights.<sup>136</sup> However, such abuses are not unique to Egypt as opposed to other Middle Eastern trading partners, such as Jordan.<sup>137</sup> Even in Egypt, the United States has been willing to look past such abuses when it has served its foreign policy purposes, such as using the country to interrogate prisoners suspected of terrorism.<sup>138</sup> While there are certainly serious concerns regarding Egypt's treatment of its citizens, the best way for reform may be through economic agreements and

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132. STAFF OF H.R. COMM. ON WAYS AND MEANS, 108TH CONG., *supra* note 33, at 27.

133. *Id.* Such countries include Jordan, Bahrain, and Morocco.

134. *See supra* notes 86–89 and accompanying discussion.

135. Aranoff, *supra* note 70, at 312. Amelia Porges, then the GATT Secretariat's Senior Legal Advisor, argues that liberalization for those in the bloc can take place at the expense of third parties who are not at the regional bargaining table. *Id.*

136. *See* Human Rights Watch Country Overview, World Report 2005, <http://hrw.org/english/docs/2005/01/13/egypt9802.htm> (providing an overview of the organization's human rights concerns in Egypt); Egyptian Counterterrorism and Political Reform Act, H.R. 1670, 109th Cong. (2005) (finding regular victimization of the Coptic Christian minority group in Egypt in addition to regular use of torture by the government).

137. *Compare* Human Rights Watch Country Overview, *supra* note 136 (noting human rights concerns with Egypt), *with* Letter from Human Rights Watch to the Prime Minister of Jordan (Aug. 1, 2005), <http://hrw.org/doc/?t=mideast&c=jordan> (last visited Dec. 27, 2005) (noting human rights concerns with Jordan).

138. Egypt appears to be the most frequently-used receiving country for U.S. "extraordinary renditions," in which foreign nationals suspected of plotting terrorist attacks are transported to a third country where they can be interrogated without restrictions that the United States would otherwise impose were it to use its own agents to interrogate the suspects. *See* Jane Mayer, *Outsourcing Torture: The Secret History of America's "Extraordinary Rendition" Program*, NEW YORKER, Feb. 14, 2005, at 106.

modernization.<sup>139</sup> An FTA with Egypt could help the United States influence Egypt's human rights record in a positive way by fostering economic reform and encouraging further democratization in the country.

## B. CONSIDERATIONS FOR EGYPT

### 1. Potential Benefits for Egypt

Increased FTAs between the United States and countries in the Middle East "can help Middle Eastern governments implement export-led growth policies [which] help attract private investment, thereby increasing economic growth and creating badly needed jobs, which promotes more stability in the region."<sup>140</sup> Because FTAs are not designed to promote harmonization, the agreements are excellent for helping countries economically while not compromising political independence by requiring further synchronization.<sup>141</sup> This would be an advantage to Middle Eastern countries that want to sell more than oil to the United States and need economic growth but do not want to be seen as moving too close to the United States politically.<sup>142</sup>

For Egypt, an FTA with the United States "could spur measures to further liberalize the domestic economy and integrat[ion] into the world economy."<sup>143</sup> Although global trade has grown rapidly over the last twenty-five years, Egypt's share of world exports has dropped from .15% in 1980 to .07% in 2000.<sup>144</sup>

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139. "Just as religious freedom offers the best hope for Christian social influence, economic freedom is the best hope for spreading that influence around the world." Robert A. Sirico, Editorial, *China and the Trade Warriors*, WALL ST. J., June 11, 1997, at A22.

140. Halabi, *supra* note 99, at 294. Note also that the World Bank sees a potential FTA encompassing the entire Middle East as "a catalyst for positive change," forcing economic change and diversification in the region away from the concentration on oil and promoting exports. World Bank, Expanded Trade and Investment Holds Promise for Millions of Jobs in the Middle East, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20117024~menuPK:34463~pagePK:34370~piPK:34424~theSitePK:4607,00.html> (last visited Jan. 28, 2006). Such a view would also hold for Egypt in a bilateral agreement.

141. Halabi, *supra* note 99, at 294.

142. *Id.*

143. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 2. "In 1991 . . . economic reform in Egypt began in earnest with the signing of an International Monetary Fund agreement and Paris Club forgiveness of 50 percent of Egypt's official debt obligations." Lawrence, *supra* note 95, at 38. Between 1991 and 1996, Egypt was able to lower its budget deficit and reduce inflation. *Id.*

144. FEMISE COORDINATORS, EGYPT COUNTRY PROFILE: THE ROAD AHEAD FOR

Largely because of high tariffs averaging over thirty percent, Egypt "remains one of the most restrictive countries [for trade] in the region."<sup>145</sup>

One reason that Egypt's economy has not developed as rapidly as other countries in other regions is because other regions as a whole have often seen times of collective increased development.<sup>146</sup> "While Egypt and other developing countries in the Middle East were still debating whether to adopt reforms, many emerging economies in other parts of the world were on the move."<sup>147</sup> The globalization of economies has "encouraged new alliances between developed and developing countries, sharpened the competition for foreign investment, and placed a high premium on outward-oriented policies."<sup>148</sup> While there were concerns that groups of isolated trading partners would inhibit global trade, "[m]arket forces now discipline discriminatory trade practices far more quickly and effectively than in the past; and government policies that raise the cost of doing business by imposing excessive trade, tax, or regulatory burdens often find their companies retrenching and investors relocating elsewhere."<sup>149</sup> In general, bilateral or regional FTAs are easier to conclude than agreements through the WTO, because they require agreement among a smaller number of countries. Therefore, Egypt is more likely to see immediate benefit from a bilateral agreement than if it waits for the WTO to act.<sup>150</sup>

States often join trade agreements to ensure continued access to a market already covered by an existing agreement.<sup>151</sup> For example, the purpose of Canada's involvement in NAFTA was partially to ensure it retained the access to the U.S. market that it had obtained from a previous bilateral agreement.<sup>152</sup> Although Egypt does already have the Qualified Industrial Zone agreement with the United States, it is not broad enough to

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EGYPT 85 (2004), available at [http://www.erf.org/eg/html/Country\\_Profile.asp#Egypt\\_Country\\_Profile](http://www.erf.org/eg/html/Country_Profile.asp#Egypt_Country_Profile) (follow "Chapter 3: Trade Issues" hyperlink).

145. *Id.* at 99.

146. Lawrence, *supra* note 95, at 38.

147. *Id.* Global investors have not generally focused on the Middle East, choosing instead to invest in nations in Asia, Latin America, and Eastern Europe that have reformed their economies in ways that invited foreign capital. *Id.*

148. Jeffrey J. Schott, *Free Trade Agreements: Boon or Bane of the World Trading System?*, in *FREE TRADE AGREEMENTS: US STRATEGIES AND PRIORITIES 3, 6* (Jeffrey J. Schott ed., 2004) [hereinafter Schott, *Free Trade*].

149. *Id.*

150. *Id.* at 12. See also *supra* note 70 and accompanying discussion.

151. Picker, *supra* note 91, at 274-75.

152. *Id.*

cover the amount of trade needed to spur reform in the country.<sup>153</sup> Egypt needs to move forward with a deeper agreement with the United States to maintain and broaden access to the U.S. market. Similarly, when all other countries are perceived to be entering into such arrangements, a country will not want to be left behind and will seek to enter agreements itself.<sup>154</sup> Like the United States, Egypt could also benefit by offsetting some of the trade diversion effects of other trade agreements.<sup>155</sup> An FTA with the United States would help Egypt overcome agreements to which it does not belong, including agreements the United States already has in the region, and would also help the country compete against Asian textiles in the U.S. market.

A U.S.-Egypt agreement could also have an important lock-in effect on Egyptian domestic reform because “policy reversals become more costly because changes that violate the free trade obligations could trigger retaliation by trading partners.”<sup>156</sup> Such agreements could help Egypt withstand protectionist demands of domestic politics and better resist pressure to take actions that might be popular domestically but harmful economically.<sup>157</sup> By promoting consistency within Egypt’s trade policies, an FTA could help facilitate planning and foster investment.<sup>158</sup> In this way, an FTA with an economically powerful partner can “serve as an economic building block for the betterment of small economies,” forcing them to adopt and stick with more transparent domestic and international policies.<sup>159</sup> This is especially important for Egypt because, as previously noted, the Egyptian economy is still in a state of transition, with a long list of areas in need of reform. Egyptian Prime Minister Ahmed Nazif has said that Egypt is a strong ally of the United States and the country “needs reassurance” that the United States is backing Egypt’s reform program.<sup>160</sup> Many reforms are related to FTAs, including the liberalization of trade and services, reforming customs, further privatization, adoption of antitrust policies, labor

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153. See *supra* notes 61–65 and accompanying discussion.

154. Picker, *supra* note 91, at 275. This is known as “domino regionalism.” *Id.*

155. See *infra* notes 202–08 and accompanying discussion.

156. Schott, *Free Trade*, *supra* note 148, at 13.

157. *Id.*

158. *Id.*

159. Manaspas Xuto, *Concluding Notes, in* BRAINSTORMING ON CONVERGENCE OF PREFERENTIAL TRADING ARRANGEMENTS AND THE MULTILATERAL TRADING SYSTEM: DISCUSSION PAPERS AND SELECTED NOTES 35 (Nilaratna Xuto ed., 2004), available at <http://www.itd.chula.ac.th/FTA%20Brainstorming%202004.pdf>.

160. STAFF OF H.R. COMM. ON WAYS AND MEANS, 108TH CONG., REPORT ON TRADE MISSION TO TUNISIA, JORDAN, OMAN, AND EGYPT 28 (Comm. Print 2005).



reforms, and additional measures to attract foreign direct investment.<sup>161</sup> There is also a general need in Egypt to improve governance by “increasing transparency, reducing red tape and transactions costs, and improving conflict resolution mechanisms.”<sup>162</sup> An FTA with the United States would increase transparency and reduce bureaucratic layers by implementing and requiring certain procedures. Conflict resolution mechanisms are also a common feature of FTAs.

For Egypt, a driving force behind a potential agreement with the United States is to help attract foreign investment.<sup>163</sup> Egypt could use an FTA with the United States to give credibility to its promises of reform, using such credibility to attract foreign direct investment.<sup>164</sup> This would be analogous to a benefit Mexico received from signing NAFTA with the United States and Canada.<sup>165</sup>

Egypt has joined other bilateral and regional FTAs, including a loose system with other Middle Eastern countries.<sup>166</sup> However, although the Middle East was one of the first regions to consider a regional trade system, such a system in the region remains woefully incomplete.<sup>167</sup> Similarly, it can be argued that after concluding an FTA with the European Union,<sup>168</sup> Egypt has undertaken the necessary reforms to gain the confidence of foreign investors.<sup>169</sup> However, the agreement with the European Union will not serve as a credible reform anchor because it is not comprehensive.<sup>170</sup> Likewise, the Qualified Industrial Zone agreement signed in December 2004 with Israel is a good step, but it is restrictive.<sup>171</sup> Because it operates in isolation, it is not likely to spur reform in the same meaningful way that an FTA with a large market like the United States could.<sup>172</sup> For Egypt, an FTA with the United States could support unfinished domes-

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161. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 25.

162. *Id.*

163. *Id.* at 27.

164. *Id.*

165. *Id.*

166. *See supra* notes 56–58 and accompanying discussion.

167. Samiha Fawzy, *The Economics and Politics of Arab Economic Integration*, in *ARAB ECONOMIC INTEGRATION: BETWEEN HOPE AND REALITY* 13 (Ahmed Galal & Bernard Hoekman eds., 2003).

168. *See supra* note 57 and accompanying text.

169. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 27–28.

170. *Id.* For example, the agreement does not require the liberalization of services. *Id.*

171. *See supra* notes 61–66 and accompanying discussion.

172. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 5.

tic reforms, increase access to U.S. markets, and encourage increased foreign investment.<sup>173</sup> It could also strengthen the economic relationship between the two countries by moving more towards a partnership and away from pure economic aid.<sup>174</sup> Egypt has recognized that it needs further domestic economic reform, and its leaders appear ready to embrace freer trade with the United States.<sup>175</sup> Although it has made efforts, the country has been frustrated by a lack of real reform<sup>176</sup> and must make an effort to lock in reform. An FTA with the United States could not only spur additional reforms but also help assure that the reforms remain in place.

## 2. Potential Concerns for Egypt

During the previous FTA discussions between Egypt and the United States, Egypt was concerned that the United States might require reforms that would be difficult for Egypt in areas like labor and environmental standards.<sup>177</sup> Egyptians were also concerned that the United States could use the negotiations, and eventually the FTA, to pressure Egypt on political issues outside the reach of the FTA.<sup>178</sup> This is not far-fetched, considering that the United States previously ended FTA discussions over a dispute within the WTO.<sup>179</sup> Additionally, although many Egyptian citizens believe that global trade is a positive influence in their local economy,<sup>180</sup> other political groups outside the gov-

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173. *Id.* at 23–24.

174. *Id.* at 24.

175. *See supra* notes 33–34, 66 and accompanying discussion.

176. *See supra* notes 28–30 and accompanying discussion.

177. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 2–3.

178. *Id.* at 6.

On one hand, there are those who focus on the substance of recommended reforms and believe such reforms, with adjustments, are the kind of reforms the region needs. They see the initiative as a potentially useful mechanism for lending support to the reform process and enabling the region to catch up with emerging markets. They further believe that effective measures by the United States toward resolving regional conflicts would turn the attention of regional politicians toward domestic reforms. On the other hand, there are others who are more skeptical about US intentions. To them, renewed interest by the United States in the region is motivated only by the desire to maintain a stable supply of oil and ensure the security of the state of Israel.

*Id.* at 9–10.

179. *See supra* note 60 and accompanying text.

180. Sixty-seven percent of Egyptians think global trade is at least “somewhat good” for their country’s economy. THE PEW RESEARCH CTR. FOR THE PEOPLE & THE

ernment have opposed FTAs, most notably that with the European Union.<sup>181</sup> Also of concern is the fact that most Muslim populations think that U.S. policies bring less rather than more stability to the Middle East.<sup>182</sup> An FTA that would allow economic cooperation without requiring political unification could help the U.S. image and would likely be more palatable to Muslim populations, especially considering the large amount of aid that Egypt already receives.

A key issue for a U.S.-Egypt FTA is the impact it will have on domestic institutions.<sup>183</sup> Egypt would have concerns that an FTA would limit certain options or force certain actions that may be domestically unpopular.<sup>184</sup> Egypt would also be concerned about moving too close to the United States politically.<sup>185</sup> Even moving closer economically could be a concern, as "[f]ree trade among countries with very different domestic practices requires either a willingness to countenance the erosion of domestic structures or the acceptance of a certain degree of harmonization."<sup>186</sup> Egypt's leadership appears willing to accept some of the harmonization that would necessarily accompany a trade agreement,<sup>187</sup> and the acceptance and success of trade agreements by other Middle Eastern countries with the United States shows that trade can work in the region.

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PRESS, VIEWS OF A CHANGING WORLD, *supra* note 83, at 10. Twenty-five percent of Egyptians surveyed think global trade is very good for their country, while forty-two percent think it is at least somewhat good. *Id.*

181. "I have a lot of reservations over this agreement [with the EU]. It is a big adventure and its implementation could end up destroying our local industries and turning Egypt into a market for European goods," said Khaled Mohieddin, leader of the leftist Tagammu Party. Gamal Essam El-Din & Niveen Wahish, *The Task Ahead*, AL-AHRAM WEEKLY ONLINE, April 17, 2003, available at <http://weekly.ahram.org.eg/2003/634/ec1.htm>. Mounir Fakhri Abdel-Nour, spokesman for the liberal Wafd Party, focused on the fact that the agreement does not offer Egypt significant advantages to raise agricultural exports to Europe, saying "[m]ost European countries still insist on offering their farmers huge subsidies amounting to 350 billion euros annually. This is a stumbling block and we must begin new negotiations to raise our quota of agricultural exports to Europe." *Id.*

182. THE PEW RESEARCH CTR. FOR THE PEOPLE & THE PRESS, VIEWS OF A CHANGING WORLD, *supra* note 83, at 6.

183. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 25.

184. *Id.* "By entering into an FTA with the United States, Egypt could lose control over some domestic policies and institutions when it agrees to harmonize them with those of the United States." *Id.* at 28.

185. See *supra* note 142 and accompanying text.

186. DANI RODRIK, HAS GLOBALIZATION GONE TOO FAR? 37 (1997).

187. See *supra* notes 33-34 and accompanying discussion.

C. COMPARISON WITH OTHER U.S. BILATERAL TRADE AGREEMENTS IN THE MIDDLE EAST AND A DISCUSSION OF THE ESSENTIAL ELEMENTS OF A U.S.-EGYPT AGREEMENT

After committing to negotiations, the fundamental decision for Egypt and the United States is whether the two countries desire for the FTA to formalize only trade in goods, some of which might still be restricted, or to have a more comprehensive agreement that covers all goods, including agricultural products, foreign investment, services, and intellectual property, while also including language restricting domestic regulatory standards and practices.<sup>188</sup> This second, more comprehensive type of agreement can extend liberalization "to many aspects of the domestic economic environment, including the production of goods, services, and investment, and may involve dictates for policies, such as environmental standards, labor laws, government procurement, regulations, antitrust legislation, and intellectual property rights."<sup>189</sup> This type of agreement would have the potential of having a greater economic impact because it would deal with a broader range of goods, and would also be more likely to encourage economic and institutional reforms as some formal changes would be required by the FTA.

Several agreements could serve as models for a U.S.-Egypt FTA. One model could be the traditional WTO FTA, exemplified by the U.S.-Israel FTA, which took effect in 1985.<sup>190</sup> While this agreement did eliminate duties for Israeli merchandise sent to the United States, it was nonetheless not a very broad agreement as it allowed the respective countries to continue to protect agricultural products, contained no binding mechanism to settle disputes, and did not touch at all upon the issues of foreign investment or services.<sup>191</sup> Another potential model has been termed by some to be a "WTO-plus."<sup>192</sup> NAFTA, which entered into force in 1994, is an example of such a "WTO-plus" agreement and is more consistent with recent U.S. agreements and trade policies.<sup>193</sup> NAFTA is much broader than the U.S.-Israel

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188. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 26.

189. *Id.* "To pursue what I would characterize as 'deep integration' is much easier at the regional level." Aranoff, *supra* note 70, at 310.

190. Lawrence, *supra* note 95, at 72-73.

191. *Id.*

192. *Id.*

193. *Id.* For further information on NAFTA and full text of the agreements, see North American Free Trade Agreement, U.S.-Can.-Mex., Dec. 17, 1992, 32 I.L.M. 289 (1993).

FTA in that it contains provisions regarding the resolution of disputes and contains side agreements relating to the enforcement of labor and environmental standards.<sup>194</sup>

The most recent trade agreements the United States has concluded in the Middle East fit much better along the plane of NAFTA than with the U.S.-Israel agreement. For example, the agreement with Jordan deals with a wide range of trade issues. Within ten years, it will eliminate all barriers to trade between the two countries in almost all industrial goods and agricultural products.<sup>195</sup> The recent agreement with Bahrain, signed in 2004, goes even further than the agreement with Jordan.<sup>196</sup> It deals specifically with financial services, telecommunications, e-commerce, intellectual property rights, labor, the environment, and dispute resolution.<sup>197</sup> However, in order to quell potential dissent from the textile lobby at home, the agreement with Bahrain contains protection for the U.S. textile industry.<sup>198</sup>

The FTAs that the United States has signed with both Israel and Jordan are good examples of the United States' use of bilateral FTAs as a tool of foreign policy.<sup>199</sup> Similar to its interests in Egypt, the U.S. interests in these countries are much more political than economic.<sup>200</sup> Also, similar to Egypt, during the negotiation of the respective FTAs, both countries were in the process of implementing "internal economic reforms and trying to liberalize their economies."<sup>201</sup> Such existing agreements can provide valuable lessons and insights regarding what economic impact can be expected from a U.S.-Egypt agreement and

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194. Lawrence, *supra* note 95, at 72-73.

195. Office of the U.S. Trade Representative, Jordan FTA, [http://www.ustr.gov/Trade\\_Agreements/Bilateral/Jordan/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/Jordan/Section_Index.html) (last visited Jan. 27, 2006).

196. Office of the U.S. Trade Representative, Bahrain FTA Final Text, [http://www.ustr.gov/Trade\\_Agreements/Bilateral/Bahrain\\_FTA/final\\_texts/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/Bahrain_FTA/final_texts/Section_Index.html) (last visited Jan. 27, 2006).

197. Immediately upon implementation of the agreement, "100 percent of consumer and industrial products and 81 percent of U.S. agricultural exports [were] duty free. Bahrain will open its services market wider than any previous FTA partner, streamline digital trade, protect intellectual property, facilitate government procurement, and provide for effective enforcement of labor and environmental laws." Press Release, U.S. Trade Representative, United States and Bahrain Sign Free Trade Agreement, (Sep. 14, 2004), [http://www.ustr.gov/Document\\_Library/Press\\_Releases/2004/September/United\\_States\\_Bahrain\\_Sign\\_Free\\_Trade\\_Agreement.html](http://www.ustr.gov/Document_Library/Press_Releases/2004/September/United_States_Bahrain_Sign_Free_Trade_Agreement.html).

198. Office of the U.S. Trade Representative, Bahrain FTA Final Text, *supra* note 196.

199. Rosen, *supra* note 127, at 51.

200. *Id.*

201. *Id.* at 74.

what such an agreement should include.

The U.S.-Jordan FTA, formalized in October 2000, was a reward for Jordan's peace agreement with Israel in 1994.<sup>202</sup> The FTA provides an excellent example of the positive economic impact that such agreements can yield, especially for Middle Eastern trading partners.<sup>203</sup> In 1999, the United States imported \$31 million in goods from Jordan.<sup>204</sup> By 2004, U.S. imports from Jordan were almost \$1 billion.<sup>205</sup> Similarly, U.S. exports to Jordan during the same period nearly doubled from \$270 million to over \$530 million.<sup>206</sup> This trade agreement between the United States and Jordan has been "astoundingly effective" in stimulating trade.<sup>207</sup> Jordan's dramatic increase in exports to the United States "shows the latent potential for rapid expansion of trade flows under FTAs."<sup>208</sup> There is no reason that an FTA with Egypt could not yield similar, if not even more dramatic, economic results given Egypt's larger and more diverse economy.

For the agreement to fit into an eventual FTA that encompasses the entire Middle East, it should fit with other agreements the United States has conducted in the region, such as the Jordanian and Bahrainian agreements. Bahrain especially, being the most recent and most expansive agreement, can serve as an effective template for a U.S.-Egypt agreement. Several of the factors prevalent in concluding an agreement with Egypt were present in both Jordan and Bahrain, including economic considerations for the Middle Eastern countries and foreign policy objectives for the United States. Accordingly, substantial groundwork has already been put in place for a potential U.S.-Egypt agreement in the form of the existing agreements in the region. While the U.S.-Israel agreement could also serve as a model, it would not be an ideal choice because it is not very comprehensive.<sup>209</sup> Instead, the agreement with Israel should eventually be brought up to date to resemble the other U.S. bilateral agreements in the Middle East, such as the U.S.-Bahrain

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202. Nsour, *supra* note 91, at 743. Sidney Weintraub of the Center for Strategic and International Studies said that the message being sent now by the U.S. Trade Representative is that FTAs will depend heavily on support for American foreign policy. Sidney Weintraub, *The Politics of US Trade Policy*, BBC NEWS, Sept. 3, 2003, <http://news.bbc.co.uk/2/hi/business/3169649.stm>.

203. See *supra* note 40 and accompanying text.

204. GALAL & LAWRENCE, ANCHORING REFORM, *supra* note 7, at 4.

205. *Id.*

206. *Id.*

207. *Id.*

208. Hilaire & Yang, *supra* note 72, at 606.

209. See *supra* notes 190-191 and accompanying discussion.

agreement.

However, if possible, the restrictions on the textile industry found within the Bahrain agreement should be removed. Textiles are Egypt's largest industry<sup>210</sup> and one of the main economic forces driving Egypt into an agreement with the United States.<sup>211</sup> Egypt has been facing increased competition in the textile market due to the WTO's lifting of quotas on textiles,<sup>212</sup> and access to the U.S. market could provide a huge economic boost to the Egyptian industry.

For the United States, the economic considerations in such an agreement are secondary but not insignificant. A major economic consideration for the United States involves furthering the economy of Egypt so that the United States does not have to provide as much, if any, economic aid to the country.<sup>213</sup> Given Egypt's position as the second largest recipient of U.S. foreign assistance, reforms that strengthen its economy would help the United States wean the country off of the vast assistance, allowing Egypt to focus on trade with the United States instead of aid.<sup>214</sup> U.S. firms also have opportunities that arise from increased access to foreign markets; as it has been noted, the Jordan FTA helped U.S. exports to that country nearly double. Those economic opportunities are most plentiful when accompanied by meaningful institutional reforms that foster development and foreign investment, as a broad U.S.-Egypt FTA would if based upon other similar, recent agreements in the region.

Politically, Egypt would likely be more concerned than Jordan or Bahrain as being seen as moving closer to the United States. Both Jordan and Bahrain are constitutional monarchies and have no pretense of being democratic. They therefore are less susceptible politically to internal criticism, which is a particular concern for Egypt right now after the unexpectedly strong showing of the Muslim Brotherhood, an Islamic party that ran in opposition to Mubarak's government in the most recent election.<sup>215</sup> Also, Egypt's role in the Middle East makes it more of a target than other Middle Eastern countries for criti-

210. CENT. INTELLIGENCE AGENCY, *supra* note 14.

211. Note, however, that because Bahrain's economy is based mostly upon petroleum, textiles are not a major industry in the country. CENT. INTELLIGENCE AGENCY, THE WORLD FACTBOOK, BAHRAIN (2006), <http://www.cia.gov/cia/publications/factbook/geos/ba.html>.

212. See *supra* note 65 and accompanying text.

213. See *supra* notes 17-18 and accompanying text.

214. See *supra* notes 19-20, 27 and accompanying text.

215. See Hamzawy & Brown, *supra* note 94, at 3-4, 8.

cism of its foreign policies, both within its own borders and within the region.<sup>216</sup> However, Egypt has been able to make gestures towards the West before while still maintaining its respect and leadership role among countries in the Middle East.<sup>217</sup> An FTA would be an excellent vehicle for Egypt to deepen its economic relationship with the United States while maintaining political autonomy. For the United States, an agreement boosting the economy of Egypt might help lend further stability to this vital region, providing further international security and leading to further democratization in the region. It would also serve as a dramatic step forward towards the U.S. goal of securing a regional FTA in the Middle East. Securing a meaningful regional agreement without including Egypt would be difficult, if not impossible. Considering Egypt's formidable role in the Middle East, it should be incorporated into the web of U.S. FTAs as soon as possible to profit most from its inclusion, as other countries would be likely to follow.

### CONCLUSION

This Note has advocated an FTA between the United States and Egypt. The foreign policy objectives of both countries provide ample reasons for them to align economically, while Egypt has some reason to remain politically independent. An FTA is a perfect vehicle for such objectives, further harmonizing economically while maintaining political independence.

An effective framework has already been implemented with other countries in the region and could be adapted to fit the needs of Egypt very easily. Between the United States' recent shift in trade policy to an emphasis on promulgating FTAs, its foreign policy focus on securing the Middle East and spurring reform in the region, and Egypt's stated desire and readiness to embrace further economic reforms, the time to act is right now. Otherwise, Egypt must either continue to rely heavily on U.S. handouts or move closer to another region, possibly by expanding its existing agreement with the European Union, and the United States will either be forced to continue providing vast amounts of aid or risk moving away from a valuable ally in a vital region.

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216. See *supra* notes 21–22, 102 and accompanying discussion.

217. See *supra* note 66 and accompanying quotation (discussing Egypt's peace agreement with Israel).



