

108TH CONGRESS
1ST SESSION

S. 1121

To extend certain trade benefits to countries of the greater Middle East.

IN THE SENATE OF THE UNITED STATES

MAY 22, 2003

Mr. BAUCUS (for himself and Mr. MCCAIN) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To extend certain trade benefits to countries of the greater
Middle East.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Middle East Trade
5 and Engagement Act of 2003”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

8 (1) it is in the mutual interest of the United
9 States and the countries of the greater Middle East
10 to promote stable and sustainable growth and devel-
11 opment throughout the greater Middle East;

1 (2) Congress views democratization and eco-
2 nomic progress in the countries of the greater Mid-
3 dle East as important elements of a policy to ad-
4 dress terrorism and endemic instability;

5 (3) free trade relationships are not a substitute
6 for, but a complement to, necessary political and
7 economic reforms that lead to political liberalization
8 and economic freedom;

9 (4) the countries of the greater Middle East
10 have enormous economic potential and are of endur-
11 ing political significance to the United States;

12 (5) despite their economic potential, the coun-
13 tries of the greater Middle East are experiencing
14 deepening poverty, slow job creation, and a declining
15 share of world trade and investment, while at the
16 same time experiencing population growth rates
17 among the highest in the world;

18 (6) these economic conditions are in part the
19 result of barriers to trade and investment, a failure
20 to engage fully in the global trading system, lack of
21 participation in the World Trade Organization, and,
22 often, a lack of economic diversification and over-re-
23 liance on the energy sector;

24 (7) offering the countries of the greater Middle
25 East enhanced trade preferences will encourage

1 higher levels of trade and direct investment and help
2 bring those countries more fully into the global trad-
3 ing system;

4 (8) higher levels of trade and investment and
5 greater involvement in the global trading system can
6 lead to increased economic development, which can
7 in turn lead to more jobs for people in the countries
8 of the greater Middle East; and

9 (9) encouraging the reciprocal reduction of
10 trade and investment barriers in the greater Middle
11 East will enhance the benefits of trade and invest-
12 ment for all the countries in the greater Middle East
13 as well as enhance commercial and political ties be-
14 tween the United States and the greater Middle
15 East.

16 **SEC. 3. STATEMENT OF POLICY.**

17 Congress supports—

18 (1) encouraging increased trade and investment
19 between the United States and the countries of the
20 greater Middle East and among the countries of the
21 greater Middle East;

22 (2) reducing tariff and nontariff barriers and
23 other obstacles to trade between the United States
24 and the countries of the greater Middle East and
25 among the countries of the greater Middle East;

1 (3) strengthening and expanding the private
2 sector and accelerating the rate of job creation in
3 the countries of the greater Middle East;

4 (4) focusing on countries committed to the rule
5 of law, economic reform, political liberalization, re-
6 spect for human rights, and the eradication of pov-
7 erty;

8 (5) facilitating the development of civil societies
9 and political freedom in the countries of the greater
10 Middle East;

11 (6) promoting sustainable development, and
12 protecting and preserving the environment in a man-
13 ner consistent with economic development; and

14 (7) encouraging the countries of the greater
15 Middle East to diversify their economies, implement
16 domestic economic reforms, open to trade, and adopt
17 anticorruption measures, including through acces-
18 sion to the Organization for Economic Cooperation
19 and Development (OECD) Convention on Combating
20 Bribery of Foreign Public Officials in International
21 Business Transactions.

22 **SEC. 4. DESIGNATION OF ELIGIBLE COUNTRIES.**

23 (a) IN GENERAL.—The President is authorized to
24 designate any country listed in subsection (c) as a bene-

1 ficiary country if the President determines that the coun-
2 try—

3 (1) has established, or is making continual
4 progress toward establishing—

5 (A) a market-based economy that protects
6 private property rights, incorporates an open
7 rules-based trading system, and minimizes gov-
8 ernment interference in the economy through
9 measures such as price controls, subsidies, and
10 government ownership of economic assets;

11 (B) the rule of law and the right to due
12 process, a fair trial, and equal protection under
13 the law;

14 (C) political pluralism, a climate free of
15 political intimidation and restrictions on peace-
16 ful political activity, and democratic elections
17 that meet international standards of fairness,
18 transparency, and participation;

19 (D) the elimination of barriers to United
20 States trade and investment, including by—

21 (i) providing national treatment and
22 measures to create an environment condu-
23 cive to domestic and foreign investment;

24 (ii) protecting intellectual property;

25 and

1 (iii) resolving bilateral trade and in-
2 vestment disputes;

3 (E) economic policies that reduce poverty,
4 increase the availability of health care and edu-
5 cational opportunities, expand physical infra-
6 structure, promote the development of private
7 enterprise, and encourage the formation of cap-
8 ital markets through micro-credit or other pro-
9 grams;

10 (F) a system to combat corruption and
11 bribery, such as signing and implementing the
12 OECD Convention on Combating Bribery of
13 Foreign Public Officials in International Busi-
14 ness Transactions;

15 (G) protection of internationally recognized
16 worker rights, including the right of association,
17 the right to organize and bargain collectively, a
18 prohibition on the use of any form of forced or
19 compulsory labor, a minimum age for the em-
20 ployment of children, and acceptable conditions
21 of work; and

22 (H) policies that provide a high level of en-
23 vironmental protection;

24 (2) does not engage in activities that undermine
25 United States national security or foreign policy in-

1 terests, and supports a peaceful resolution of the
2 Israeli-Palestinian conflict;

3 (3) is a signatory of the United Nations Dec-
4 laration of Human Rights, does not engage in gross
5 violations of internationally recognized human
6 rights, and is making continuing and verifiable
7 progress on the protection of internationally recog-
8 nized human rights, including freedom of speech and
9 press, freedom of peaceful assembly and association,
10 and freedom of religion;

11 (4) is not listed by the United States Depart-
12 ment of State as a state sponsor of terrorism and
13 cooperates fully in international efforts to combat
14 terrorism;

15 (5) does not participate in the primary, sec-
16 ondary, or tertiary economic boycott of Israel; and

17 (6) otherwise meets the eligibility criteria set
18 forth in section 502(b)(2) of the Trade Act of 1974
19 (19 U.S.C. 2462(b)(2)), other than section
20 502(b)(2)(B).

21 (b) CONTINUING COMPLIANCE.—If the President de-
22 termines that a designated beneficiary country no longer
23 meets the requirements described in subsection (a), the
24 President shall terminate the designation of the country

1 made pursuant to subsection (a) and inform Congress of
2 the President's determination and the reasons therefor.

3 (c) COUNTRIES ELIGIBLE FOR DESIGNATION.—In
4 designating countries as beneficiary countries under this
5 Act, the President shall consider only the following coun-
6 tries of the greater Middle East or their successor political
7 entities:

- 8 (1) Afghanistan.
- 9 (2) Algeria.
- 10 (3) Azerbaijan.
- 11 (4) Bahrain.
- 12 (5) Bangladesh.
- 13 (6) Egypt.
- 14 (7) Iraq.
- 15 (8) Kuwait.
- 16 (9) Lebanon.
- 17 (10) Morocco.
- 18 (11) Oman.
- 19 (12) Pakistan.
- 20 (13) Qatar.
- 21 (14) Saudi Arabia.
- 22 (15) Tunisia.
- 23 (16) Turkey.
- 24 (17) United Arab Emirates.
- 25 (18) Yemen.

1 (d) THE PALESTINIAN AUTHORITY.—The President
2 is also authorized to designate the Palestinian Authority
3 or its successor political entity as a beneficiary political
4 entity which, if so designated, shall be accorded benefits
5 under this Act as if it were a beneficiary country, if the
6 President determines that the Palestinian Authority—

7 (1) satisfies the conditions of subsection (a) (1)
8 and (2);

9 (2) does not participate in acts of terrorism,
10 and takes active measures to combat terrorism;

11 (3) cooperates fully in international efforts to
12 combat terrorism;

13 (4) does not engage in gross violations of inter-
14 nationally recognized human rights, and is making
15 continuing and verifiable progress on the protection
16 of internationally recognized human rights, including
17 freedom of speech and the press, freedom of peaceful
18 assembly and association, and freedom of religion;
19 and

20 (5) accepts Israel's right to exist in peace with-
21 in secure borders.

22 **SEC. 5. DESIGNATION OF ELIGIBLE ARTICLES.**

23 (a) ELIGIBLE ARTICLES.—Except as provided in sec-
24 tions 503(b)(2) and (3) of the Trade Act of 1974 (19
25 U.S.C. 2463(b)(2) and (3)), the President is authorized

1 to designate articles as eligible for duty-free treatment
2 from all beneficiary countries for purposes of this Act by
3 Executive order or Presidential proclamation after receiv-
4 ing the advice of the International Trade Commission in
5 accordance with subsection (c).

6 (b) RULES OF ORIGIN.—

7 (1) GENERAL RULE.—The duty-free treatment
8 provided under this Act shall apply to any eligible
9 article which is the growth, product, or manufacture
10 of 1 or more beneficiary countries if—

11 (A) that article is imported directly from a
12 beneficiary country into the customs territory of
13 the United States; and

14 (B) the sum of—

15 (i) the cost or value of the materials
16 produced in 1 or more beneficiary coun-
17 tries, plus

18 (ii) the direct cost of processing oper-
19 ations performed in such beneficiary coun-
20 try or countries,

21 is not less than 35 percent of the appraised
22 value of such article at the time it is entered.

23 (2) ADDITIONAL COUNTRIES.—For purposes of
24 the rules of origin in paragraph (1) and the regula-

1 tions prescribed pursuant to paragraph (4), the term
2 “beneficiary country” includes Israel and Jordan.

3 (3) EXCLUSIONS.—An article shall not be treat-
4 ed as the growth, product, or manufacture of a ben-
5 efitary country by virtue of having merely under-
6 gone—

7 (A) simple combining or packaging oper-
8 ations; or

9 (B) mere dilution with water or mere dilu-
10 tion with another substance that does not mate-
11 rially alter the characteristics of the article.

12 (4) REGULATIONS.—The Secretary of the
13 Treasury, after consulting with the United States
14 Trade Representative, shall prescribe such regula-
15 tions as may be necessary to carry out this sub-
16 section, including, but not limited to, regulations
17 providing that, in order to be eligible for duty-free
18 treatment under this Act, an article—

19 (A) must be wholly the growth, product, or
20 manufacture of 1 or more beneficiary countries,
21 including Israel and Jordan; or

22 (B) must be a new or different article of
23 commerce which has been grown, produced, or
24 manufactured in 1 or more beneficiary coun-
25 tries, including Israel and Jordan.

1 (c) INTERNATIONAL TRADE COMMISSION ADVICE.—
2 Before designating an article as an eligible article under
3 subsection (a), the President shall publish in the Federal
4 Register and furnish the International Trade Commission
5 with a list of articles that may be considered for designa-
6 tion as eligible articles for purposes of this Act. The Presi-
7 dent shall comply with the provisions of sections 131, 132,
8 133, and 134 of the Trade Act of 1974 as if an action
9 under this Act were an action taken under section 123
10 of the Trade Act of 1974 to carry out a trade agreement
11 entered into under section 123.

12 **SEC. 6. UNITED STATES-MIDDLE EAST TRADE AND ECO-**
13 **NOMIC COOPERATION FORUM.**

14 (a) DECLARATION OF POLICY.—The President shall
15 convene annual high-level meetings among appropriate of-
16 ficials of the United States Government, officials of the
17 governments of eligible beneficiary countries, and officials
18 of the Governments of Israel and Jordan in order to foster
19 close economic ties between the United States and the
20 countries of the greater Middle East.

21 (b) ESTABLISHMENT.—Not later than 12 months
22 after the date of enactment of this Act, the President,
23 after consulting with Congress and the governments con-
24 cerned, shall establish a United States-Middle East Trade

1 and Economic Cooperation Forum (in this section referred
2 to as the “Forum”).

3 (c) REQUIREMENTS.—In creating the Forum, the
4 President shall meet the following requirements:

5 (1) The President shall direct the Secretary of
6 Commerce, the Secretary of the Treasury, the Sec-
7 retary of State, and the United States Trade Rep-
8 resentative to host the first annual meeting with
9 their counterparts from the governments of des-
10 ignated beneficiary countries, and those countries
11 and political entities listed in section 4 (c) and (d)
12 that the President determines are taking substantial
13 positive steps toward meeting the eligibility require-
14 ments in section 4. The purpose of the meeting shall
15 be to discuss expanding trade and investment rela-
16 tions between the United States and the countries of
17 the greater Middle East and the implementation of
18 this Act including encouraging joint ventures be-
19 tween small and large businesses. The President
20 shall also direct the Secretaries and the United
21 States Trade Representative to invite to the meeting
22 representatives from appropriate organizations and
23 government officials from countries and political en-
24 tities in the greater Middle East.

1 (2)(A) The President, in consultation with Con-
2 gress, shall encourage United States nongovern-
3 mental organizations to host annual meetings with
4 nongovernmental organizations from the countries
5 and political entities of the greater Middle East in
6 conjunction with the annual meetings of the Forum
7 for the purpose of discussing the issues described in
8 paragraph (1).

9 (B) The President, in consultation with Con-
10 gress, shall encourage United States representatives
11 of the private sector to host annual meetings with
12 representatives of the private sector from the coun-
13 tries and political entities of the greater Middle East
14 in conjunction with the annual meetings of the
15 Forum for the purpose of discussing the issues de-
16 scribed in paragraph (1).

17 (3) The President shall, to the extent prac-
18 ticable, meet with the heads of governments of des-
19 ignated beneficiary countries, and those countries
20 and political entities listed in section 4 (c) and (d)
21 that the President determines are taking substantial
22 positive steps toward meeting the eligibility require-
23 ments in section 4, not less than once every 2 years
24 for the purpose of discussing the issues described in
25 paragraph (1). The first such meeting should take

1 place not later than 12 months after the date of en-
2 actment of this Act.

3 (d) DISSEMINATION OF INFORMATION BY USIS.—In
4 order to assist in carrying out the purposes of the Forum,
5 the United States Information Service shall disseminate
6 regularly, through multiple media, economic information
7 in support of the free market economic reforms described
8 in this Act.

9 **SEC. 7. FREE TRADE AGREEMENTS WITH COUNTRIES OR**
10 **POLITICAL ENTITIES IN THE GREATER MID-**
11 **DLE EAST.**

12 (a) DECLARATION OF POLICY.—Congress declares
13 that bilateral free trade agreements should be negotiated,
14 where feasible, with interested countries or political enti-
15 ties in the greater Middle East, in order to serve as the
16 catalyst for increasing trade between the United States
17 and the greater Middle East and increasing private sector
18 investment in the greater Middle East.

19 (b) ELIGIBILITY.—Any country or political entity
20 that desires to negotiate a bilateral free trade agreement
21 with the United States shall be a member of the World
22 Trade Organization or be working diligently toward mem-
23 bership and shall satisfy the criteria in section 4(a) of this
24 Act.

25 (c) PLAN REQUIREMENT.—

1 (1) IN GENERAL.—The President, taking into
2 account the willingness of the governments of the
3 beneficiary countries to engage in negotiations to
4 enter into free trade agreements, shall develop a
5 plan for the purpose of negotiating and entering into
6 1 or more trade agreements with interested bene-
7 ficiary countries.

8 (2) ELEMENTS OF PLAN.—The plan shall in-
9 clude the following:

10 (A) The specific objectives of the United
11 States with respect to negotiations described in
12 paragraph (1) and a suggested timetable for
13 achieving those objectives.

14 (B) The benefits to both the United States
15 and the relevant beneficiary countries with re-
16 spect to the applicable free trade agreement or
17 agreements.

18 (C) A mutually agreed-upon timetable for
19 the negotiations.

20 (D) Subject matter anticipated to be cov-
21 ered by the negotiations and United States
22 laws, programs, and policies, as well as the laws
23 of participating eligible countries of the greater
24 Middle East and existing bilateral and multilat-
25 eral and economic cooperation and trade agree-

1 ments, that may be affected by the agreement
2 or agreements.

3 (E) Procedures to ensure the following:

4 (i) Adequate consultation with Con-
5 gress and the private sector during the ne-
6 gotiations.

7 (ii) Consultation with Congress re-
8 garding all matters relating to implementa-
9 tion of the agreement or agreements.

10 (iii) Approval by Congress of the
11 agreement or agreements.

12 (iv) Adequate consultations with the
13 relevant governments of the greater Middle
14 East during the negotiation of the agree-
15 ment or agreements.

16 (d) REPORTING REQUIREMENT.—Not later than 12
17 months after the date of enactment of this Act, the Presi-
18 dent shall prepare and transmit to Congress a report con-
19 taining the plan developed pursuant to subsection (c).

20 **SEC. 8. REPORTING REQUIREMENT.**

21 (a) IN GENERAL.—The President shall monitor, re-
22 view, and prepare a report annually on the progress of
23 each country and political entity listed in section 4 (c) and
24 (d) in meeting the requirements described in section 4(a)
25 in order to determine the current or potential eligibility

1 of each country or political entity to be designated as a
2 beneficiary country under this Act. The report shall also
3 include a comprehensive discussion of the implementation
4 of this Act and an analysis of the trade and investment
5 policy of the United States with respect to the countries
6 and political entities listed in section 4 (c) and (d). To
7 the extent that any subject matter required by the report
8 is included in another report submitted by the President,
9 the report required by this section may reference the other
10 report.

11 (b) TIME FOR SUBMITTING REPORT.—The President
12 shall submit the report described in subsection (a) to Con-
13 gress not later than 1 year after the date of enactment
14 of this Act, and annually thereafter through 2011.

15 **SEC. 9. PRESERVATION OF BENEFITS OF UNITED STATES-**
16 **ISRAEL AND UNITED STATES-JORDAN FREE**
17 **TRADE AGREEMENTS.**

18 Nothing in this Act shall be deemed to nullify or im-
19 pair any right or benefit accorded either to Israel or to
20 Jordan under the existing trade agreements with the
21 United States.

1 **SEC. 10. TERMINATION OF PREFERENTIAL TREATMENT.**

2 No duty-free treatment or other preferential treat-
3 ment extended to beneficiary countries under this Act
4 shall remain in effect after December 31, 2011.

○