
Preface

In May 2003 the Bush administration promised to launch new bilateral free trade agreements (FTAs) with Middle Eastern countries pursuant to the creation of a comprehensive US–Middle East FTA over the following decade. The impetus for this initiative was clearly political, as it was for agreements that the United States has already concluded in the region (with Israel, Jordan, Morocco, and Bahrain) as well as those now being contemplated—including Egypt, the topic of this study. Despite Egypt’s strategic importance to the United States, US–Egypt FTA discussions only came to life in the aftermath of the war with Iraq and the post–September 11 determination to promote development in the Middle East.

Yet the agreements must yield real benefits for economic integration if they are to succeed. Thus this book examines the economic as well as the political merits of a US–Egypt FTA for the two economies and in the larger context of the region. The study analyzes quantitative models of a potential FTA and then assesses its likely qualitative effects.

This study is part of the Institute’s extensive program of studies of current and prospective FTA negotiations. The present volume evolves partly from a major conference on FTAs held at the Institute in May 2003. The papers presented at the conference were published in 2004 as *Free Trade Agreements: US Strategies and Priorities*, in which a preliminary version of this study is included. The Institute has previously published comprehensive analyses of the US–Canada FTA, the North American Free Trade Agreement (NAFTA), and, more recently, possible FTAs between the United States and Korea and between the United States and Taiwan. We are currently studying potential US–Colombia and US–Sri Lanka FTAs

as well. In each of these cases, Institute studies are prepared to meet the needs of policymakers and other participants in the debate, and we envisage the same practical role for this volume.

The Institute for International Economics is a private, nonprofit institution for the study and discussion of international economic policy. Its purpose is to analyze important issues in that area and to develop and communicate practical new approaches for dealing with them. The Institute is completely nonpartisan.

The Institute is funded by a highly diversified group of philanthropic foundations. Major institutional grants are now being received from the William M. Keck, Jr. Foundation and the Starr Foundation. A number of other foundations and private corporations contribute to the highly diversified financial resources of the Institute. About 18 percent of the Institute's resources in our latest fiscal year were provided by contributors outside the United States, including about 8 percent from Japan. The Ford Foundation and the GE Foundation help fund our program of studies on free trade agreements, and the Egyptian-American Business Council provided partial support for this project as well.

The Institute's Board of Directors bears overall responsibilities for the Institute and gives general guidance and approval to its research program, including the identification of topics that are likely to become important over the medium run (one to three years) and that should be addressed by the Institute. The director, working closely with the staff and outside Advisory Committee, is responsible for the development of particular projects and makes the final decision to publish an individual study.

The Institute hopes that its studies and other activities will contribute to building a stronger foundation for international economic policy around the world. We invite readers of these publications to let us know how they think we can best accomplish this objective.

C. FRED BERGSTEN
Director
April 2005