



25 Years of Free Trade

Twenty-five years ago, in 1985, the United States and Israel signed a historic Free Trade Agreement (FTA)—the first of its kind between the United States and any other country. Its success led to similar agreements between the U.S. and other countries around the world. Although only 20-pages-long, the U.S.-Israel accord would become the lynchpin of an expanding economic relationship between the two allies.

The United States and Israel have enjoyed a spectacular economic partnership in the 25 years since the FTA was signed. The FTA largely eliminated tariffs and quota limits on trade in goods. As a result, U.S.-Israel trade has boomed—increasing by more than \$45 billion since 1985.

Trade between the two allies was minimal at the time of its signing, with Israel actually receiving more in U.S. aid than it exported to the United States. Last year, however, more than \$35 billion in goods and services were traded between the United States and Israel, far outpacing the \$3 billion that Israel received in U.S. aid.

Today, Israel is the 22nd-largest export market for U.S. goods—a remarkable ranking given the relative size of Israel's economy and a population that represents a mere two percent of the Middle East's total population. This market generates billions of dollars in U.S. sales to Israel and helps produce thousands of American jobs across a variety of sectors including technology, agriculture and finance.

American companies are also reaping the rewards of direct investment in Israel's economy. Corporations such as Intel, Microsoft and Google have invested billions of dollars in the Jewish state, with some locating leading international research-and-development operations there.

U.S.-Israel economic cooperation has also helped foster relations between Israel and some of its neighbors. Among the FTA's crowning achievements has been its success in enhancing Israel's relationship with its neighbors Jordan and Egypt.

The agreement became the legal underpinning for what is known as the Israel-Jordan Qualifying Industrial Zone (QIZ) and the Israel-Egypt QIZ. Cooperation is incentivized, as goods produced in these zones are awarded duty free access to the U.S. market—provided they contain a certain amount of Israeli content. These QIZs employ 15,000 workers in Jordan and 100,000 in Egypt, helping strengthen their economies and deepen their connection to Israel.

Let us hope that one day all countries in the region will enjoy such cooperation.