

STATEMENT OF SENATOR JOHN McCAIN
Testimony Before the Committee on Finance
U.S. Economic and Trade Policy in the Middle East
March 10, 2004

- Chairman Grassley, Senator Baucus, members of the Committee, thank you for the opportunity to testify before you today regarding U.S. economic and trade policy in the Middle East.
- I wish to congratulate the Committee on its many trade-related successes this session. The many actions taken on trade policy since passage of the Trade Act of 2002 are to be commended – from the expedited consideration and approval of Free Trade Agreements (FTAs) with Chile and Singapore last year, to the consideration, perhaps in the not too distant future, of the recently concluded negotiations with Australia and Morocco.
- In addition, the benefits available to eligible nations covered under the African Growth and Opportunity Act are due to be extended and possibly expanded. I would encourage efforts to do so expeditiously.
- The United States is steadily regaining its leadership role on trade despite some counterproductive protectionist actions; however, we are feeling the after effects of those actions and support for free trade is no longer as robust and vocal as in recent memory.
- Mr. Chairman, with your leadership, and that of Senator Baucus, I believe it possible to generate the support necessary to continue to approve strong trade deals that not only benefit the U.S. and promote market liberalization and transparency with our trading partners, but also provide them incentives to bring about political and social reform, when necessary.
- Such a necessity exists in the greater Middle East. Tom Friedman has written that “many Arab economies are dominated by state oil revenues and state companies, with private enterprise very weak. Therefore, holding onto or being close to power are the only pathways to wealth. Control power, control wealth.” Breaking the link between political power and wealth by creating a larger private sector independent of political control is an essential component of our efforts to help build democracy in the Middle East.
- As we have witnessed in Bahrain – with whom we are in the final FTA negotiating stages – there is a willingness to begin this separation as evidenced by laws now on the books. But perhaps the more critical step will be the execution of those laws. We must remain vigilant on this issue to ensure those laws are enforced so our own financial services sector and others will be able to operate in a truly transparent and open market.
- A key question for American policy is how to encourage such long-overdue political, economic, and social change in the Arab world. I believe we must expand our range of economic, cultural, and political tools to help give the people of the greater Middle East a

stake and a voice in how they are ruled, with greater levels of democracy and prosperity serving as an antidote to the hatred whose malignancy was brought home to Americans on September 11, 2001. Trade preferences that help build prosperity in the Arab and Muslim worlds independently of state power can help advance our political objective of more representative, accountable, and transparent rule.

- We have successfully pursued trade preference programs with the nations in sub-Saharan Africa, the Andean region, and the Caribbean basin, with tangible results. Would anyone argue today that the greater Middle East is less important?
- The bill that Senator Baucus and I introduced would establish a baseline of trade as an incentive to those countries that do not engage in activities that undermine our national security or foreign policy interests, and support a peaceful resolution of the Israeli-Palestinian conflict, among other things.
- This bill is designed to provide a reliable and even-handed approach toward improving relations with the Middle East through greater economic interdependence. It is not a panacea developed to solve overnight all of the problems that exist in relations between the U.S. and the nations of the greater Middle East. We need to send a clear signal to the region that we are serious about finding peaceful solutions to the fires that have been fanned over the years in part because of closed markets.
- Engaging the region on this level will help spur increased investment and trade which can lead to a reduction in the risks posed by the severely restricted economic system under which a number of nations in the area operate. Reaching that goal would be no small achievement given the likelihood of tremendous population growth and an average unemployment rate in the region hovering around 22 percent – an obvious recipe for disaster.
- In an era when our trade negotiators expressly pursue trade agreements to advance broader foreign policy interests, liberalizing trade with key partners in the Middle East, Turkey, and South Asia should be a strategic priority of the United States.
- We all understand the critical need to engage the region and promote stabilizing reforms. I support the President's vision and believe that extending preferences to eligible countries compliments that vision by providing immediate, tangible benefits.
- Mr. Chairman, again, thank you for this opportunity to testify.