



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Statement of Senator Chuck Grassley
Senate Committee on Finance
Subcommittee on International Trade
Hearing on the U.S.-Bahrain Free Trade Agreement
Thursday, October 6, 2005

I'm pleased that we're holding a hearing today on the U.S.-Bahrain Free Trade Agreement. This agreement will benefit farmers, workers, and businesses throughout the United States. It will strengthen the economy of Bahrain, a major ally of the United States in the Middle East. This agreement will also serve as a template for other free trade agreements in the region. In this way, the U.S.-Bahrain Free Trade Agreement will ultimately lead to further trade liberalization in the Arab world.

To start, the U.S.-Bahrain Free Trade Agreement provides benefits for the United States. Under the Agreement, 100 percent of trade between the United States and Bahrain in industrial and consumer products will be duty-free immediately. The Agreement covers all agricultural products – there are no exclusions – and Bahrain will grant duty-free access immediately for 98 percent of U.S. agricultural tariff lines. Tariffs on the remaining 2 percent of agricultural goods, which consist of alcohol and tobacco products, will be phased out over ten years. In addition, Bahrain's economy is based largely upon services, and Bahrain provides significant market access to its services regime under the Agreement.

Gains from the U.S.-Bahrain Free Trade Agreement will accrue to numerous U.S. farmers and U.S. companies, including Iowa agricultural producers and companies. For example, a small company in my state of Iowa, the Midamar Corporation, looks forward to the implementation of this trade agreement. Midamar supplies high quality halal foods and food service equipment to restaurants, hotels, and distributors in the United States and abroad. This company was founded in 1972 by Cedar Rapids native Bill Aossey who, upon returning to Iowa after serving in the Peace Corps and traveling throughout the Middle East, developed the idea of starting a company dedicated to exporting Iowa products. Bill now employs some 30 Iowans. Midamar's employees recognize that their company will benefit from reduced tariffs under the U.S.-Bahrain Free Trade Agreement. In addition, Midamar understands that Bahrain is a bridge to the markets of other countries in the region.

In much the same way, the Bush Administration, in initiating the U.S.-Bahrain Free Trade Agreement, recognized that this agreement could be a bridge for free trade agreements with other Middle Eastern countries. This has already proven true. Just this week, the United States and Oman concluded negotiations of a free trade agreement, an agreement based largely upon the U.S.-Bahrain Free Trade Agreement. Oman was inspired by the positive experience of its Persian Gulf neighbor, Bahrain, in negotiating a free trade agreement with the United States. I note as well that the United

Arab Emirates, also aware of benefits that Bahrain will receive through its free trade agreement, is currently negotiating an agreement with the United States. Yet more countries in the region are now expressing interests in pursuing free trade agreements with our country.

These potential free trade agreements, as well as the U.S.-Bahrain Free Trade Agreement, fall into the goal of President Bush of creating a U.S.-Middle East Free Trade Area by 2013. Progress toward a Middle East Free Trade Area is well under way, with the United States having already negotiated free trade agreements with Israel, Jordan, and Morocco as well as with Bahrain. A Middle East Free Trade Area would cover numerous countries and would thus provide significant market access opportunities for U.S. farmers, workers, and businesses. Such an agreement would also lead to the implementation of much-needed economic reforms throughout the region, reforms that would benefit not only U.S. exporters, but also the citizens of Arab countries.

Bahrain recognizes the economic and political benefits that will come from the implementation of a free trade agreement with the United States. Bahrain's government understands that its recent economic reforms will be bolstered by the Free Trade Agreement. Bahrain's leaders also recognize that a free trade agreement with the United States will contribute to the strengthening of the rule of law in their country. The experience of Bahrain in making economic and political reforms could be replicated several times over through a Middle East Free Trade Area, and these reforms could lead to increased stability in the region.

Finally, I would like to point out that Bahrain is a valued ally of the United States. The U.S. Fifth Fleet is headquartered in Bahrain, and Bahrain has hosted a U.S. military presence since World War II. In October 2001, the United States designated Bahrain as a Major Non-NATO Ally. It only seems fitting for the United States to strengthen its economic ties with this significant ally.

The U.S.-Bahrain Free Trade Agreement will benefit the United States, will result in economic gains for a major Middle Eastern ally of the United States, and will lead to further trade liberalization in the Arab world. Bahrain's parliament has already passed legislation to implement the U.S.-Bahrain Free Trade Agreement, and Bahrain's legislation has been signed into law. So the ball now clearly falls in our court. I urge my colleagues to support passage of legislation implementing the U.S.-Bahrain Free Trade Agreement.