Committee On Finance

Max Baucus, Ranking Member

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Contact: Laura Hayes
202-224-4515

Statement of U.S. Senator Max Baucus
Hearing on United States Economic and Trade Policy in the Middle East

"Thank you, Mr. Chairman. Thank you for convening a hearing on such an important topic. And I want to thank all of the witnesses who have come to testify here today. We have a very impressive panel. I'm looking forward to hearing what they have to say, so I will keep my remarks short.

In particular, let me thank Senator McCain for testifying this afternoon. Last year, Senator McCain and I introduced the Middle East Trade and Engagement Act, better known as "Baucus-McCain," or "the Silk Road bill." That bill seeks to establish a trade preference program for the countries of the Middle East similar to programs we now have for sub-Saharan Africa, the Andean region, and the Caribbean basin. It would give the president the power to allow Middle Eastern countries that meet certain conditions, such as supporting the war on terrorism and reforming their economies, to export products the president approves duty free.

A trade preference program like the one we are proposing will help countries in the Middle East now, in the short-term. It is comprehensive in its scope – it offers economic help through increased trade to the entire region at once, rather than gradually, country by country. It will also help prepare Middle Eastern economies to enter into free trade agreements (FTA) with the United States that are the cornerstone of the administration's Middle East trade policy.

That's an important point. Far from competing with the administration's policies, I believe the Baucus-McCain bill complements and supports the administration's attempt to establish a Middle East free trade area. Just look at the history of preference programs. The United States has essentially three regional trade preference programs. We passed the Africa Growth and Opportunity Act (AGOA) in 2000. Now we're negotiating an FTA with five AGOA beneficiaries – the Southern African Customs Union (SACU) countries.

We also have the Andean Trade Preferences Act (ATPA). For years ATPA has provided incentives for farmers to switch from growing coca to growing flowers, coffee, and other legal crops. The United States Trade Representative (USTR) recently announced that it would take the next step and negotiate FTAs with ATPA beneficiaries Colombia, Peru, Bolivia, and Ecuador.

Finally, we have the Caribbean Basin Initiative (CBI). All five of the Central America Free Trade Agreement (CAFTA) countries with which we just completed FTA negotiations receive benefits under CBI. So does Panama, another future FTA partner according to the USTR. The evidence is clear. Preference programs help countries reform and develop their economies to the point where an FTA with the United States can become a realistic option.

In its recently released Annual Report, the USTR stated that, quote "AGOA has prompted important economic and social reforms across sub-Saharan Africa and delivered new jobs and opportunities for economic growth and development to the region." This is precisely what the United States seeks to accomplish in the Middle East. If a preference program delivered these impressive results for sub-Saharan Africa, why wouldn't we develop a preference program for the Middle East? Surely it can't be said that the Middle East is somehow less important than sub-Saharan Africa.

The USTR also said in its Annual Report that, quote "AGOA successes are also creating new commercial opportunities for U.S. exporters, as African exporters explore new input sources in the United States." New commercial opportunities for U.S. companies means jobs for U.S. citizens.

In short, a preference program for the Middle East will help stimulate economies in the Middle East, create jobs both in the Middle East and here at home, and improve America's security in the process. I urge the administration to support a preference program in the Middle East, and to work with Senator McCain and me on the Baucus-McCain bill."

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