



National U.S.-Arab Chamber of Commerce

United States – Bahrain Free Trade Agreement

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Testimony Submitted by
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Mr. Chairman and distinguished members of the Senate Finance Committee, thank you for the opportunity to testify this afternoon. My name is David Hamod, and I serve as President & CEO of the National U.S.-Arab Chamber of Commerce (NUSACC). I've had the privilege of visiting Bahrain at least once a year for the better part of two decades, and I can tell you that it is a very comfortable place to live and do business.

NUSACC serves as the U.S. point of contact for the national chambers of commerce in the 22 Arab nations, providing our Chamber with valuable insights into the opportunities and challenges facing the Arab business community. This unique position, as a nexus between East and West, enables NUSACC to closely monitor the pulse of business between the United States and the Arab world like no one else.

Since its inception nearly 40 years ago, NUSACC has been America's preeminent organization for fostering trade and investment between the United States and the Arab world. Most of our members are small and medium-sized U.S. companies that are exporting to the Middle East.

One of these small companies, Midamar Corporation from the Great State of Iowa, is submitting written testimony today about the importance of Bahrain as a market. Midamar exports upwards of 250 tons of U.S. goods to Bahrain per year, helping to sustain 30 jobs in Iowa and making Midamar one of America's top exporters of high-quality, value-added food products.

Our Chamber has a long history of cooperation with Bahrain, and we are very proud of our special relationships with the American Chamber of Commerce in Bahrain, the American Association of Bahrain, the American Mission Hospital, and the Bahrain Chamber of Commerce and Industry.

Bahrain: A "Paradise" for Trade & Investment?

In the ancient world, according to historians and the Epic of Gilgamesh, there was a small island paradise full of fruit trees, plants, and flowers -- a place where sickness, violence and old age did not exist.

This Garden of Eden, according to cuneiform tablets from the Sumerian civilization, straddled the trade routes between Mesopotamia and the Indus Valley, resulting in one of the greatest trading empires of the ancient world. This Eden, we are told, was called "Dilmun."

As history buffs will tell you, Dilmun was what is known today as Bahrain. Thus, Bahrain has been literally at the crossroads of civilization for some 5,000 years.

Today, Bahrain is once again poised to play a world class role in trade & investment. And for some U.S. companies interested in exporting goods and services to the region, the Bahraini market has the potential to be a modern day "paradise."

Creating Jobs Through the FTA

The governments of Bahrain and the United States are promoting a Free Trade Agreement (FTA) that has the potential to greatly enhance business prospects between our two nations. The Office of the U.S. Trade Representative (USTR) has provided Congress with a detailed assessment of the U.S.-Bahrain FTA, so our Chamber will not devote a great deal of time to those precise details in this testimony.

Suffice it to say, however, that one of the most meaningful features of the FTA is that, on the first day it goes into effect, 100 percent of consumer and industrial products and more than three-quarters of our agricultural exports will be duty-free. In the eyes of our Chamber, this FTA represents a solid agreement. It sets the pace for the rest of the Arabian Gulf and is a strong model for the Arab world as a whole.

The two governments have led the private sector down the aisle and up to the altar, so to speak, and now it is up to us -- the U.S. and Bahraini business communities -- to tie the knot.

From a U.S. perspective, there are good things in this agreement for everyone -- whether you're a farmer in Iowa or Montana, a software developer in Utah, a tool manufacturer in West Virginia, or a freight forwarder in Mississippi.

President George W. Bush has stated, "I will not be satisfied until every American looking for work can find a job." This FTA will help to generate new jobs and sustain existing employment -- here and in Bahrain.

This is important for our fellow Americans at a time when many in our country are facing economic uncertainty. It is equally important in Bahrain because some in the region -- a very tiny minority -- would play upon unemployment and hopelessness to fuel extremism and breed terrorism.

Bahrain: Small Country, Big Strategic Ally

Admiral William Crowe, former Chairman of the Joint Chiefs of Staff, once said, "Pound for pound, Bahrain has been about the best ally [the U.S. has] had in recent times."

Crowe's assessment reflects the deep respect that U.S. policymakers traditionally have for Bahrain, a major non-NATO ally and home to the U.S. Navy's Fifth Fleet since 1995.

In 1949, the U.S. Navy began to utilize Bahrain's ports to maintain security in the Gulf. Over the ensuing half century, military cooperation grew into a stronger and more valuable alliance, with Bahrain increasingly at the center of U.S. naval operations in the Gulf. U.S. Naval Forces Central Command has been headquartered in Bahrain since 1993, and today, 79 acres of downtown Manama serve as the command center for the Middle East Force.

During the 1990-1991 Gulf War and the more recent conflict in Iraq, Bahrain provided indispensable assistance by hosting the naval command center and providing extensive basing for U.S. aircraft. During Operation Enduring Freedom, Bahrain was the only Gulf Cooperation Council (GCC) nation to commit military forces to the effort.

More recently, on a humanitarian front, Bahrain was quick to pledge assistance -- five million dollars -- to help the victims of Hurricane Katrina in Louisiana, Mississippi, and Alabama.

Singapore of the Middle East?

The National U.S.-Arab Chamber of Commerce recently released a special report on the 2006 outlook for U.S. exports to the Arab world -- including Bahrain. With your permission, Mr. Chairman, I would like to include that report in today's hearing record.

The report states, "Bahrain boasts a wide range of major infrastructure and engineering projects. 100 percent ownership by foreign firms is encouraged, and Bahrain's Bilateral Investment Treaty with the United States has helped to attract more than 150 U.S. companies to set up operations in this kingdom."

According to the same report, U.S. exports to Bahrain for 2005 are expected to reach \$362 million, with an increase in 2006 to \$449 million -- a jump of nearly 25 percent. Bahrain is not America's biggest market in the region, but with the FTA in place, the kingdom will be better situated than ever to serve as a gateway to the Arabian Gulf. For example, neighboring Saudi Arabia has announced more than \$600 billion in investment projects over the next decade. Bahrain, which is connected to Saudi Arabia by a causeway, is expected to be one of the biggest beneficiaries of those "megaprojects" taking place next door.

In some respects, Bahrain has much in common with Singapore. Both are island nations that serve as portals to larger markets on the mainland; both boast a high quality of life and ultramodern infrastructures; both pride themselves on a well-educated and easily trainable labor force.

Like Singapore, Bahrain ranks high on the list of free economies. According to the Fraser Institute's *2005 Economic Freedom of the World* report (www.fraserinstitute.ca), Bahrain ranks as the 24th most free economy in the world, ahead of such nations as Japan (#30), France (#38), Israel (#50), and Italy (#54).

Like Singapore, Bahrain holds great respect for the rule of law. According to Transparency International's *2004 Corruption Perceptions Index* (www.transparency.org), Bahrain ranks 34th in the world in perceived corruption, with less corruption than such nations as Taiwan (#35), Italy (#42), South Korea (#47), Brazil (#59), and China (#71).

Bahrain will soon host the newly created Investment Policy Center for the Middle East and North Africa. This global center aims to attract more foreign direct investment to the region and enjoys the support of the Paris-based Organization for Economic Cooperation and Development (OECD).

In short, Bahrain is one of the most attractive destinations in the area for establishing a corporate regional office. This may help to explain why so many Americans who take jobs for a few years in Bahrain end up staying on for a decade or two.

Bahrain: The Little Engine That Can

Bahrain is undertaking significant economic reform, and the FTA is the centerpiece of this effort. The agreement “raises the bar” for trade and investment rules that enhance market access, and it bolsters Bahrain’s role as an engine of economic reform in the Arab world.

Bahrain has been a locomotive for change in the region for decades. With its resourcefulness, determination, and visionary leadership, Bahrain takes on tough jobs and succeeds at them in ways that bigger nations can only dream about. Congressional approval of the U.S.-Bahrain Free Trade Agreement will put the United States and Bahrain “over the top,” and our Chamber looks forward to working with the Senate Finance Committee to help make this dream a reality.