



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.-Oman Free Trade Agreement
Monday, March 6, 2006

I'm pleased that we're holding a hearing today on the U.S.-Oman Free Trade Agreement. This agreement will benefit U.S. farmers, workers, and businesses. It will lead to economic growth and enhance the predictability of the rule of law in Oman, a reliable ally of the United States in the Middle East. The U.S.-Oman Free Trade Agreement will also serve as a model for other free trade agreements in the Middle East. In this way, the U.S.-Oman Free Trade Agreement will contribute to the formation of a Middle East Free Trade Area, a development that would provide major economic and political benefits for the United States.

Let me begin by discussing the economic gains that this Agreement will bring to the United States. On the day that the Agreement goes into effect, Oman will no longer impose any tariffs on U.S.-produced consumer and industrial products. The Agreement will also benefit U.S. farmers as some 87 percent Oman's tariff lines will go to zero for U.S. agricultural products on day one of the Agreement. Oman's remaining tariffs on U.S. farm products will be phased out over 10 years. In addition, the U.S.-Oman Free Trade Agreement will result in substantial improvements in market access for U.S. service providers and new protections for U.S. investors. Given the benefits that it will provide to the United States, the Agreement has been endorsed by groups as varied as the American Farm Bureau Federation, the American Chemistry Council, the Association of Equipment Manufacturers, the National Foreign Trade Council, and the U.S.-Middle East Free Trade Coalition, an entity consisting of over 110 U.S. companies and associations supporting trade expansion in the Middle East.

The U.S.-Oman Free Trade Agreement will result in new market opportunities for farmers, workers, and businesses throughout the United States, including those in Iowa. For example, the Midamar Corporation – a small business located in Cedar Rapids, Iowa, that specializes in halal foods – anticipates that the U.S.-Oman Free Trade Agreement will lead to new sales of Iowa-produced foods in Oman. Profit margins in the food sector are very low, and Oman's current average applied tariff of 5 percent on many of Midamar's products cuts into the company's profits. With Oman's tariffs on many of Midamar's products going to zero on day one of the Agreement, Midamar will have significantly improved access to the Omani market immediately upon implementation of the U.S.-Oman Free Trade Agreement.

At least two other Iowa businesses expect to benefit from the Free Trade Agreement. The HNI Corporation of Muscatine is the second largest manufacturer of office furniture in North America, and HNI is specifically targeting the fast-growing market of the Middle East. HNI

anticipates that the Agreement will provide improved opportunities for it to sell its products in Oman. Likewise, Lennox – which manufactures residential heating and cooling products in Marshalltown – predicts that it will gain from the U.S.-Oman Free Trade Agreement. Thus, the U.S.-Oman Free Trade Agreement could have a direct impact on Iowans in Cedar Rapids, Muscatine, and Marshalltown. This agreement will benefit people in other states as well.

I'm confident that the Oman Free Trade Agreement will ultimately lead to new market access opportunities for American products in yet more Middle Eastern countries. President Bush is advocating the development of a U.S.-Middle East Free Trade Area by 2013, and the U.S.-Oman Free Trade Agreement is another building block toward the accomplishment of this goal. The United States has already implemented free trade agreements with four other countries in the Middle East – Bahrain, Israel, Jordan, and Morocco. A completed U.S.-Middle East Free Trade Area would result in significantly improved market access for U.S. farm, consumer, and industrial products in a region of the world populated by 350 million people that is growing quickly. Such an arrangement would also benefit people throughout the Arab world by providing needed economic reforms. The fact is, open economies that are actively engaged in international commerce tend to grow at much higher rates than closed economies. So a U.S.-Middle East Free Trade Area is in the best interests of the people of the Middle East, and it would advance American interests as well.

In addition to providing new economic opportunities for the United States, the U.S.-Oman Free Trade Agreement will contribute to the security of our country. Oman is a consistent ally of the United States in an unstable part of the world. Given that the United States is currently engaged militarily in two countries in the region, now is a particularly appropriate time for us to further cement our close ties with Oman. By improving economic conditions in Oman, I'm convinced that the U.S.-Oman Free Trade Agreement will contribute to the stability of that country. Such stability will help solidify Oman's position as a moderate Arab country and a friend of the United States. For all these reasons, I urge my colleagues to support passage of legislation implementing the U.S.-Oman Free Trade Agreement.