IMPLEMENTATION OF THE UNITED STATES–MOROCCO FREE TRADE AGREEMENT

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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COMMITTEE ON WAYS AND MEANS

BILL THOMAS, California, *Chairman*

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IMPLEMENTATION OF THE UNITED STATES–MOROCCO FREE TRADE AGREEMENT

WEDNESDAY, JULY 7, 2004

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to notice, at 10:06 a.m., in room 1100, Longworth House Office Building, Hon. Bill Thomas (Chairman of the Committee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1721
June 25, 2004
FC–20

Thomas Announces Hearing on Implementation of the United States–Morocco Free Trade Agreement

Congressman Bill Thomas (R–CA), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a hearing on Implementation of the United States–Morocco Free Trade Agreement (FTA). **The hearing will take place on Wednesday, July 7, 2004 in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include Ambassador Peter F. Allgeier, Deputy United States Trade Representative. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Morocco and the United States had two-way trade of approximately $860 million, and a U.S. trade surplus of $66.5 million in 2003. On October 1, 2002, the President formally notified Congress that he would pursue an FTA with Morocco. Negotiations for the United States–Morocco FTA were concluded on March 2, 2004, and the agreement was signed on June 15, 2004, by Ambassador Robert Zoellick and Moroccan Minister-Delegate of Foreign Affairs and Cooperation Taib Fassi-Fihri.

The agreement provides significant benefits for U.S. businesses and their employees as well as U.S. consumers. The agreement will immediately eliminate tariffs on 95 percent of bilateral trade in consumer and industrial products, with all remaining tariffs to be eliminated within 9 years. The agreement includes a negative list for services with very few reservations. All agricultural products are covered by the agreement. The agreement also contains strong protections for U.S. investors.

In announcing the hearing, Chairman Thomas stated, "Morocco is an important U.S. ally, and this agreement will enhance the economic component of that relationship and support Moroccan economic reforms. This strong and comprehensive agreement will expand trade opportunities for U.S. goods and services immediately, and I expect it to receive quick and favorable congressional consideration."

FOCUS OF THE HEARING:

The hearing will focus on congressional consideration of the United States–Morocco FTA and the benefits that the agreement will bring to American businesses, farmers, workers, consumers, and the U.S. economy.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Michael Morrow or Kevin Herms at (202) 225–1721 no later than the close of business Tuesday, June 29, 2004. The telephone request should be followed by a formal written request faxed to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515, at (202) 225–2610. The staff of the Committee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Committee staff at (202) 225–1721.

In view of the limited time available to hear witnesses, the Committee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing in lieu of a personal appearance. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE–MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Committee are required to submit 300 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format*, of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the full Committee office, 1102 Longworth House Office Building, no later than 12:00 p.m. on Friday, July 2, 2004.** The 300 copies can be delivered to the Committee staff in one of two ways: (1) Government agency employees can deliver their copies to 1102 Longworth House Office Building in an open and searchable box, but must carry with them their respective government issued identification to show the U.S. Capitol Police, or (2) for non-government officials, the copies must be sent to the new Congressional Courier Acceptance Site at the location of 2nd and D Streets, N.E., **at least 48 hours prior to the hearing date. Please ensure that you have the address of the Committee, 1102 Longworth House Office Building, on your package, and contact the staff of the Committee at (202) 225–1721 of its impending arrival.** *Due to new House mailing procedures, please avoid using mail couriers such as the U.S. Postal Service, UPS, and FedEx.* When a couriered item arrives at this facility, it will be opened, screened, and then delivered to the Committee office, within one of the following two time frames: (1) expected or confirmed deliveries will be delivered in approximately 2 to 3 hours, and (2) unexpected items, or items not approved by the Committee office, will be delivered the morning of the next business day. The U.S. Capitol Police will refuse all non-governmental courier deliveries to all House Office Buildings.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "*108th Congress*" from the menu entitled, "*Hearing Archives*" (*http://waysandmeans.house.gov/Hearings.asp?congress=16*). Select the hearing for which you would like to submit, and click on the link entitled, "*Click here to provide a submission for the record*." Once you have followed the online instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You ***MUST REPLY*** to the email and ***ATTACH*** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business Monday, July 12, 2004. **Finally,** please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing can follow the same procedure listed above for those who are testifying and making an oral presentation. For questions, or if you encounter technical problems, please call (202) 225–1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee.

The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman THOMAS. Good morning. This hearing will focus on the recently completed U.S.–Morocco Free Trade Agreement (FTA) (P.L. 108–302) and the benefits this agreement will bring to American workers, consumers, farmers, businesses, and the U.S. economy. It is remarkable that the United States and Morocco have had such a long and strong relationship. Morocco was the first country to recognize the newly sovereign United States in 1777, and the Treaty of Peace and Friendship between the United States and Morocco is the longest unbroken treaty relationship in U.S. history. Yet the economic relationship between the United States and Morocco has lagged significantly behind the strong friendship and mutual recognition. The European Union (EU)—and it is of no surprise with less than 10 miles separating Europe from Morocco—has played a dominant role in much of northern Africa, including Morocco. Indeed, the two-way trade between Morocco and the EU is over 50 percent higher than the two-way trade between Morocco and the United States. Hopefully, this agreement will provide an opportunity to expand our economic relationship and change that percentage.

The agreement will also support economic reform efforts in Morocco, a process that we hope to see replicated throughout the region. Since we began negotiations with Morocco on a FTA, we have seen a wave of other countries in the region express interest. Recently, the U.S. Trade Representative's (USTR) office has added Kuwait, Yemen, Qatar, and United Arab Emirates to the group of countries with which we have trade and investment framework agreements (TIFA), which also includes Saudi Arabia, Egypt, Tunisia, and Algeria. We have recently concluded a FTA with Bahrain. I hope these steps will promote greater U.S. economic ties and integration within the region. Many of the features of the Morocco Free

Trade Area provide a positive example, particularly the fact that the agreement is comprehensive, i.e., all products are covered under the agreement. Further, the agreement includes strong protections for investment dispute settlements, including investment agreements. This is clearly a strong step forward to U.S.–Moroccan relationship improvement. I hope Congress affords it the quick bipartisan support that it deserves.

Prior to recognizing the Ranking Member on the Subcommittee on Trade, I will recognize the gentleman from New York, the Ranking Member of the Committee on Ways and Means, for any remarks he may wish to make.

[The statement of Chairman Thomas follows:]

Opening Statement of The Honorable Bill Thomas, Chairman, and a Representative in Congress from the State of California

This hearing will focus on the recently completed U.S.–Morocco free trade agreement and the benefits this agreement will bring to American workers, consumers, farmers, businesses, and the U.S. economy.

The United States and Morocco share a strong and longstanding relationship. Morocco was the first country to recognize the newly sovereign United States in 1777, and the Treaty of Peace and Friendship between the United States and Morocco is the longest unbroken treaty relationship in U.S. history. Yet the economic relationship between the United States and Morocco has lagged behind. The European Union has traditionally played a dominant economic role in many African countries, including Morocco. Two-way trade between Morocco and the EU is over 50 percent higher than two-way trade between Morocco and the United States. This agreement will provide an opportunity to expand our economic relationship with Morocco and to enhance U.S. competitiveness by providing Morocco with trade opportunities other than through the EU.

The agreement will also support economic reform efforts in Morocco, a process that we hope to see replicated throughout the region. Since we began negotiations with Morocco on a free trade agreement, we have seen a wave of other countries in the region expressing interest. Recently USTR has added Kuwait, Yemen, Qatar, and the United Arab Emirates to the group of countries with which we have Trade and Investment Framework Agreements, which also includes Saudi Arabia, Egypt, Tunisia, and Algeria. We have recently concluded a free trade agreement with Bahrain. I hope that these steps will promote greater U.S. economic ties and integration within the region. The potential of an FTA has provided a major impetus to comprehensive labor reform in Morocco.

Many features of the Morocco FTA provide a positive example, particularly the fact that the agreement is comprehensive—meaning all products are covered under the agreement. Further, the agreement includes strong protections for investment dispute settlements, including investment agreements.

This agreement is a strong step forward in the U.S.–Moroccan relationship, and I expect it to be approved quickly by the Congress with strong bipartisan support.

I now recognize the Chairman of the Trade Subcommittee, Mr. Crane, for any comments he may have.

Mr. RANGEL. Thank you, Mr. Chairman, and I want to thank USTR for the work that you have done in improving the trade relationship between our great country and other countries. I do not understand why constantly we do not find from your office a stronger attempt to bring Democrats and Republicans together on this issue. I am a firm believer in foreign policy, that it is very, very important to us as Americans to work together and to resolve our differences in our country and our legislative and executive branches and to look like one strong Nation whenever we are dealing with any foreign nation.

What has basically been the differences in these trade agreements? It has been that most of us on our side have believed that there should be some minimum standards as it relates to labor, and these standards should be standards that foreigners and the United States should be proud of as a starting point in making certain that we are not saying that the private sector is going to be in charge of determining the rights of workers. We use as an example the great improvement in workers' benefits in the United States, not for starters but as a goal to say one day we hope that you will be able to be productive enough to reach these standards. We do not want to dictate to the countries as to what to do and that we know better for their workers than what they do. We do believe that when we are talking about child labor, the right to organize, the right to vote, we know we have never, never, never would have reached a point that we are today if we had to depend on management. We know it is a good working relationship that worked for us and should work for other people.

The resistance of putting these things into agreement when many times the ambassadors and representatives of these countries have said they had no problem with it, it is our side that really did not want that language in the agreement, well, that is—you diplomats can talk in language that even politicians do not understand. The truth of the matter is that you have a wonderful opportunity to bring many, many more Democrats on board for bipartisan agreements if you try to work out these differences in getting basic International Labor Organization (ILO) language in these agreements.

Fortunately, when we have countries that have workable laws, that enforce those laws, and you use the language that you do to enforce your own laws, it is hard to resist it when we have checked out that they are doing a pretty good job. To think that we are just going to buy this type of boiler-room language with every trade agreement means that you expect to have a partisan fight on every trade agreement. You do not want it; I do not want it. We talk about it. We respect each other. If you think we are wrong, I hope you can bring a fresh view to this this morning and explain why you do not want ILO language in these trade agreements. It would help me not as a Democrat but as a Member of Congress and as an American. So, let me thank you for the hard work you have done.

Chairman THOMAS. It is now my pleasure to recognize the gentleman from Illinois, the Chairman of the Subcommittee on Trade, Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman. I am quite pleased that the United States and Morocco have finally reached an agreement on a bilateral free trade issue. Morocco has long been a key ally in the Middle East. While perhaps less dramatic in scope than some of the other FTAs Congress has and will soon consider, two-way trade between the United States and Morocco is significant, at about $1 billion per year. Furthermore, the International Trade Commission (ITC) estimates that trade between our countries should double once this agreement is implemented.

This is a strong agreement. Under its terms, over 95 percent of U.S. exports of industrial goods to Morocco will become duty-free immediately. This follows the high standards set by our recently passed agreements with Singapore and Chile, as well as that of the Australia FTA, which I expect will pass through the House this month. This is important for U.S. manufacturers, whether they produce heavy equipment, high-tech products, chemicals, or any of a number of other products. This is also a strong agreement for the services sector of our economy, whether it be telecommunications, e-commerce for digital products, or new opportunities for U.S. financial institutions.

Importantly, unlike some other agreements, the Morocco FTA is comprehensive as regards to agricultural goods. This is a significant step forward, and I am grateful to USTR for its efforts in this regard. I understand that difficult balances must be struck in any FTA, but I hope and trust that inclusion of all agricultural products will become part of standard operating procedure as the Administration completes future agreements.

I would like to emphasize my strong support for this agreement and my appreciation to the Administration for its efforts in completing it. I applaud their efforts in negotiating an agreement that opens markets for U.S. exports while eliminating tariffs, reducing nontariff barriers, opening services markets, and strengthening intellectual property protections. In addition, this agreement provides for important investor protections for our companies. Taken together, this will provide a significant benefit to the U.S. economy.

I would also like to welcome Ambassador Allgeier, as well as our second panel of invited guests here today, and I look forward to working with Chairman Thomas and our colleagues, Mr. Rangel and Mr. Levin, as well as all other interested parties, to ensure swift passage of this agreement. Thank you, Mr. Chairman.

Chairman THOMAS. Thank you. Now the Chair will recognize the gentleman from Michigan, the Ranking Member on the Subcommittee on Trade, Mr. Levin.

Mr. LEVIN. Thank you, Mr. Thomas. As you mentioned, there has been a long history of cordial relationships between the United States and Morocco. When I was told that Morocco was the first country to recognize the United States in 1777, I decided maybe what I learned in high school and college was much too oriented toward other places than Africa or Asia. Indeed, there has been this long history of relationship, and I think we need to keep that in mind, especially when we acknowledge that the relationship between our two countries is probably more important today than it ever has been.

I think it is important to remember at the same time that trade agreements need to address the realities of each situation. Trade agreements that become simply kind of automatic models can miss the potential impact of those agreements both on other countries and the United States. Each situation is different. One size does not fit all, unless you believe that expanded trade is always mutually advantageous, no matter how it is shaped. I do not believe that for a moment. We have to take into account the realities on the ground when we put these trade agreements together and not automatically try to use one as a model for another. If so, the results can be the opposite in one place from another place. In that regard, I want to talk just for a few minutes about the provisions on medicines. The language here is essentially the same, for example, as it is in Australia. The provision regarding generics and test data, the 5-year provision, is the same as it is in Australia. The situation is very different in Morocco than it is in Australia. So, Ambassador, I would like you to address this issue, whether Morocco now provides 5 years of protection in terms of use of test data under its own law, and if Morocco wanted to do otherwise, whether this agreement would bind them.

The same relates to the so-called parallel importation law. It did not matter perhaps in other agreements, but here it might, and I would like you to tell us whether this agreement would bind Morocco in terms of so-called parallel imports, how they could handle exhaustion of patent rights, if there were a public emergency, a health emergency in Morocco. Likewise—and Mr. Rangel has eloquently covered this—the provisions relating to core labor standards, and once again, this Administration is using "Enforce your own law." In Australia, there is going to be zero impact really in terms of our economic relationship, our competition, because the Australian laws essentially incorporate the basic ILO standards. The same was true in terms of Chile and Singapore.

With Morocco, it is not quite the same. They started major reforms of their labor laws just, I think, a year ago. When we had the meeting, Mr. Chairman, of the Congressional Oversight Group (COG), we asked USTR if they had an English translation of the labor reforms, and the answer was they did not at that time. It was somewhat startling to me that we would not have an English translation of reforms of labor laws if one felt it mattered. If you use the standard "Enforce your own laws," I guess it does not really matter what the laws say if that is your idea of the basis for expanded trade.

Anyway, we now have received an English translation of the reforms, and there just needs to be more attention to the contents of trade agreements. We did not get the actual text until after notification in this case. So, let me just finish by saying that, as I understand it, Morocco is now continuing its process of reform of its labor laws, and there is now before the government and their governmental apparatus some proposed additional changes relating to the freedom of workers, especially the right to strike under certain circumstances. I would appreciate if the Ambassador could address us as to exactly what the status of the latest reforms are, their nature, and our government's expectations. Thank you, Mr. Chairman.

Chairman THOMAS. Thank you. Now it is the Committee's pleasure to hear from the Honorable Peter Allgeier, Deputy United States Trade Representative——

Mr. ENGLISH. Mr. Chairman?

Chairman THOMAS. The gentleman from Pennsylvania.

Mr. ENGLISH. Just briefly, I was wondering if I might insert a statement at this point for the record.

Chairman THOMAS. The Chair appreciates the gentleman's concern. Any Member who has a written statement certainly can place it in the record at this point. I thank the gentleman and recognize his long interest and support, both structurally and personally, in this U.S.–Morocco relationship.

Mr. ENGLISH. Thank you, Mr. Chairman.

[The statement of Mr. English follows:]

Opening Statement of The Honorable Phil English, a Representative in Congress from the State of Pennsylvania

Mr. Chairman, before the Committee today is a historic agreement that is a win for the United States and a win for Morocco.

Morocco is an emerging market of more than 30 million people at the crossroads of Europe, Africa and the Middle East. As such, this agreement represents an excellent export destination for U.S. goods and services. In addition, the agreement levels the playing field with Europe in terms of access to the Moroccan market where European companies have for far too long enjoyed a competitive advantage because of the Moroccan-EU trade agreement.

The United States–Morocco FTA strengthens relations with a moderate Muslim ally in the volatile Middle Eastern and North African region. Most recently, the United States further recognized our nation's strategic partnership with Morocco by designating it as a "major non-NATO ally." This move elevates the military ties between the U.S. and Morocco, and is a testament to Morocco's status as a close and vital ally of the United States in the War on Terror.

More than 95 percent of bilateral trade in consumer and industrial products will become duty free immediately upon entry into force of the agreement. The FTA also provides immediate bilateral tariff elimination on many agricultural products. Simply put Mr. Chairman, this agreement represents the best market access package for domestic employers of any U.S. free trade agreement with a developing country. The ITC determined that trade liberalization as proposed by this agreement is likely to increase the competitiveness of U.S. manufacturers and farmers in the Moroccan market not only relative to Moroccan producers, but also relative to other foreign suppliers such as the European Union—with which Morocco already has an FTA.

In 2003, U.S. domestic merchandise exports to Morocco were valued at $462 million, while U.S. imports for consumption from Morocco were $396 million. The United States recorded a $66 million surplus with Morocco in 2003, as Morocco ranked as the 69th largest market for U.S. exports and the 82nd largest supplier of imports. In fact, the U.S. consistently enjoys a trade surplus with Morocco; the surplus has totaled over $1.5 billion from 1992–2003.

The ITC also determined that U.S. exports to Morocco are likely to increase by $740 million, and U.S. imports from Morocco are likely to increase by $198.6 million after full implementation of the FTA. This agreement clearly is a win-win agreement for the U.S. economy.

The agreement is also an important component of the plan to create a U.S.–Middle East Free Trade Area (MEFTA) by 2013. More than any other region (other than sub-Saharan Africa), the Middle East has declined economically over the past few decades. This occurred despite the rise and dissemination of new technologies and the spread of international trade. The economic decline of the region cannot be allowed to continue unchecked without the political consequences we are seeing today.

The conclusion of the U.S.–Morocco FTA sends a powerful message to countries throughout the Middle East and the rest of the world. The message is clear: The United States seeks partners in the region committed to economic and political reform, and is willing to extend help to countries that are politically committed to undertake the necessary—and sometimes difficult—reforms.

And Morocco has completed difficult reforms, in large part because of the negotiation of this agreement. Due to Morocco's strong desire to negotiate a FTA with the United States, a domestic consensus developed for enacting sweeping labor law reforms; reforms that had been stalled for 20 years. These reforms were *unanimously approved* by the Moroccan Parliament. The new labor law went into effect on June 8, 2004 and under the terms of the agreement all aspects of the new law are fully enforceable.

Some key provisions of the new Labor Code include:

- Collective bargaining: The rights of workers to union representation and confirming workers' rights to be consulted over management decisions that affect staff. Modernizes dispute resolution mechanism and establishes a legal framework that embraces the right to strike (provided for by the Moroccan Constitution).
- Worker Safety: Modernizes workplace inspections, including health inspections. Reduces the number of weekly working hours from 48 to 44 for the private sector, with no more than ten hours worked in a single day.
- Compensation and benefits: Raises the minimum wage in the private sector by 10 percent in two steps and implements the minimum wage in the public sector.

Extends maternity leave from 12 to 14 weeks; and for women experiencing difficult pregnancies, additional leave up to 22 weeks is granted. Provides for premium pay for overtime and paid public and annual holidays.

- Child labor protections: Raises the minimum age of employment from 12 to 15 years to comply with ILO convention 138.
- Gender discrimination: Gender discrimination is prohibited—equal pay for equal work is required.
- Layoff protections: Total or partial shut-downs of firms are allowed for technical, structural or economic reasons, but should first have the government's agreement. The courts have the authority to reinstate workers dismissed arbitrarily and can compel employers to pay damages and backpay. Affected employees are entitled to compensation up to 6 weeks' salary for each year of work. The compensations are exempt from taxes and Social Security contributions.

Mr. Chairman, Morocco has also made difficult reforms in the area of women's rights. In October, King Mohamed VI announced a series of proposed reforms to the Personal Status Code aimed at improving women's rights. These included raising the legal age for women to marry from 15 to 18, imposing severe restrictions on polygamy, and giving husband and wife equal and joint responsibility over the family.

Aside from encouraging historic opportunities for Moroccan workers and women through negotiating this agreement, the U.S.–Morocco FTA sets a high standard in many areas of 21st century global trade. The intellectual property rights provisions alone are the best yet in any U.S. FTA with a developed or developing country and will serve as an important model going forward.

The agreement establishes a secure, predictable legal framework for U.S. investors operating in Morocco. All forms of investment will be protected under the agreement and U.S. investors will enjoy in almost all circumstances the right to make investments in Morocco on equal footing with Moroccan investors. Additionally, the agreement makes certain that trademarks are protected by embodying the principle that the first person to acquire a right to a trademark is the person who has the right to use it.

More than simply requiring high standards on paper, Mr. Chairman, this agreement includes strong circumvention provisions, protecting intellectual property and penalizing piracy. The agreement requires each government to criminalize end-user piracy, providing strong deterrence against piracy and counterfeiting. The agreement mandates both statutory and actual damages under Moroccan law for violations of intellectual property. Under these provisions, monetary damages can be awarded even if actual economic harm cannot be determined.

All core obligations of the agreement, including labor and environmental provisions, are subject to the dispute settlement provisions of the agreement. The agreement includes strong enforcement mechanisms, including the ability to suspend trade concessions or establish monetary assessments.

Finally, Mr. Chairman, the FTA is an historic milestone in the U.S.–Morocco bilateral relationship, which began well over 200 years ago when Morocco was the first country to recognize the newly independent United States. Morocco today remains one of the United States' closest political allies in the war against terror and a steadfast friend in advancing peace in the Middle East.

[The statement of Mr. Tanner follows:]

Opening Statement of The Honorable John S. Tanner, a Representative in Congress from the State of Tennessee

Mr. Chairman, thank you for having this hearing today. I would also like to acknowledge my colleague and co-chair of the Morocco Caucus—Mr. English and thank him for all his work on moving this agreement forward.

I also want to congratulate Ambassadors Zoellick and Allgeier, and all of the hard working members of our negotiating teams at USTR and other agencies for their achievements. The agreement that they have reached, along with their Moroccan counterparts, is a comprehensive, well-balanced agreement that will benefit both nations. Additionally, I believe that this is a bipartisan agreement that follows the procedures established under the Trade Promotion Authority Act.

As many of you know, Morocco is the signatory to the oldest unbroken treaty in the history of U.S. foreign relations and they have proved their commitment to the United States many times during the past two centuries. The U.S.–Moroccan friendship began with its recognition of the American Republic on December 20, 1777 and is continuing strong today. While many Muslim countries want nothing to do with the United States, Morocco is seeking closer ties with us.

Morocco is one of our strongest allies in the war on terrorism and a moderate voice in the Muslim world. Moroccan officials continue to aid our efforts to stop terrorism and are proving to be vital helping track down and arrest suspected terrorists.

The Kingdom of Morocco suffered the horror of a terrorist attack on May 16, 2003, in Casablanca. 42 people died as a result of the terrorist attacks and more than 100 people were injured. Therefore, it is important that the United States continue to stand together with Morocco in the international fight against terrorism.

With this agreement, Morocco could be a link between the United States, the Middle East, Africa and the Arab world. If we delay this agreement and fail to cooperate with a traditional friend like Morocco, which has always been a moderate and stable country, it sends a strong negative message to the rest of the world.

In addition to the global security benefits that will be achieved through this deal, the agreement will increase U.S. agriculture exports to Morocco and will give U.S. farmers significant tariff advantages over the EU and other U.S. competitor suppliers. Commodities that will benefit from this FTA include U.S. soybeans and wheat.

In short, this is a good agreement and I hope it is approved by the House before the August recess.

Chairman THOMAS. Now the Honorable Peter Allgeier, if you have a written statement, it will be made part of the record, without objection, and you can address us in any way you see fit. If you wish to respond to questions as part of your opening statement, feel free to do so. Otherwise, we will call on Members to repeat those questions so that you can understand them in the context in which they were delivered. Mr. Allgeier?

STATEMENT OF HONORABLE PETER F. ALLGEIER, DEPUTY U.S. TRADE REPRESENTATIVE, OFFICE OF THE U.S. TRADE REPRESENTATIVE

Mr. ALLGEIER. Thank you very much, Mr. Chairman. I would like to thank you and Congressman Rangel and the others on the Committee who work so closely with us on our FTAs. I certainly appreciate the opportunity today to discuss the U.S.–Morocco FTA with you, and I know that all of you share our interest in expanding our trade relationship with North Africa and the Middle East. I am also very grateful to Congressman English and Congressman Tanner for their support as co-Chairmen of the Morocco Congressional Caucus.

I would like to make a point about the broad context of this agreement before getting into some of the commercial aspects, and that is that this agreement is an important element of U.S. policy in the Middle East and North Africa. We believe it will help to build the economic, political, and social stability in Morocco, and it signals to other reforming countries in the region the benefits of pursuing market liberalization policies and a closer economic relationship with the United States. We think this is very important.

Our trade strategy toward the region is predicated on the idea that sustained economic growth can best be brought to the region through internally generated reforms and market-based, trade-liberalizing policies which are embodied in this agreement.

Working in close partnership with Congress has been critical to our success. The Trade Act of 2002 has put in place procedures that make it possible for us to negotiate agreements that: one, address the pressing need for engagement with such regions; two, bring real benefits to U.S. workers and farmers and to our economy overall; and, three, bolster the economic and social reform in our partner countries.

This is clear in the case of Morocco. Under the leadership of King Mohammed VI, Morocco has made legally binding commitments to liberalize its trade with the United States, and with this agreement, it signals its serious intention to pursue and to lock into place profound economic reform.

Now, this agreement will bring significant benefits to U.S. exporters, workers, investors, farmers, and ranchers. There are two important dimensions in which it will help to level the playing field.

First of all is with respect to competition with Morocco itself in Morocco. Currently, U.S. products entering Morocco face an average tariff of more than 20 percent; whereas, Moroccan products coming into the United States have average duties of only 4 percent. Under this agreement, more than 95 percent of our two-way trade in consumer and industrial products will become duty-free upon entry into force.

The second way in which this agreement levels the playing field is vis-a-vis other competitors into the Moroccan market, particularly the EU, and this agreement will level the playing field and even give us preferential access vis-a-vis those competitors.

Just to give you some examples, in the agricultural area, which is so important, here we had to strike a balance between their development needs and our free trade objectives. Our beef and poultry producers will get new access to a market that formerly was closed to them. Tariff rate quotas (TRQs) for wheat, durum and common wheat, could lead to a five-fold increase in our exports of wheat. Other agricultural products, fruits and vegetables, nuts, corn, and corn products, also will benefit from the improved access in this agreement.

We have also achieved significant market access improvements in services, important services for us—financial services, audiovisual, are very important, banking and finance, telecommunications, and computer-related services.

The agreement also provides a high level of intellectual property protection, including state-of-the-art protection for digital products, for trademarks, and for patents. The government procurement and customs chapters promote transparency and efficiency and improved market access for us.

We have rules of origin provisions which will allow for the possibility of counting the value of inputs from other free trade partners in the region in determining whether goods will receive preferential access in our market. This will facilitate weaving together our bilateral agreements as we move forward toward a more integrated, region-wide agreement as envisioned by President Bush in the Middle East Free Trade Area Initiative. This also can encourage more trade among the countries within the region, and that is an important missing ingredient in their own development.

The labor and environment provisions meet the objectives set out by Congress by the Trade Act of 2002. Each chapter's obligations are parts of the core text of the agreement. Each party commits to enforcing its own law. This is enforceable through the dispute settlement mechanism. Each government commits to promote high levels of environmental protection, to strive to ensure that its labor laws provide for labor standards consistent with internationally recognized standards, and that they will not weaken or reduce labor and environmental laws to attract trade or investment. What I would particularly like to emphasize in this regard is that this process has spurred significant labor law reform in Morocco, which entered into force a month ago and prior to this process had been stymied for several years.

Further important elements of this agreement are its transparency, public notification, and anti-bribery provisions. This agreement also establishes investment protections that will improve conditions for investment by U.S. companies, and these provisions are fully consistent with trade promotion authority (TPA).

In conclusion, the U.S.–Morocco FTA is a comprehensive, well-structured agreement that will provide concrete benefits for both Americans and Moroccans, and it will bolster our broader policies toward the Middle East and North Africa. With your guidance and support, we will continue to pursue the Middle East Free Trade Area Initiative. Working together, we feel confident that we can build a trading and investment community with the Middle East and North Africa that will stimulate growth, that will generate prosperity, and that will promote democracy. Thank you very much, Mr. Chairman. I would be happy to respond to your questions and your comments and those of your colleagues.

[The statement of Mr. Allgeier follows:]

Statement of The Honorable Peter F. Allgeier, Deputy United States Trade Representative

Mr. Chairman, Congressman Rangel, and Members of the Committee:

I would like to thank Chairman Thomas, Congressman Rangel, and others on the Committee who work in such close partnership with us on our free trade agreements. I am also grateful to Congressmen English and Tanner, who have been extremely supportive of this agreement as co-chairmen of the Morocco Congressional Caucus. I appreciate the opportunity to discuss the U.S.–Morocco Free Trade Agreement (FTA) with you now. I know that you share in our interest in expanding our trading relationships with countries in North Africa and the Middle East.

The FTA with Morocco is an important element of U.S. policy in the Middle East and North Africa. The FTA will help build economic, political and social stability in Morocco, and signals to other reforming countries in the region the benefits of pursuing market liberalizing policies.

The Administration's trade agenda is a fundamental part of the President's broader efforts to advance reform in North Africa and the Middle East. In May 2003, President Bush announced our goal of creating a U.S.–Middle East Free Trade Area by 2013. This trade agenda is one element of a comprehensive approach to address the economic, social, and political challenges facing the region and U.S. interests in the area. In particular, our trade strategy is predicated on the idea that sustained economic growth can best be brought to the region through internally generated reforms and market-based, trade liberalizing policies.

Our strategy toward developing countries—to engage them at their levels of development, to provide them access to the U.S. market based on reciprocity, and to require that they adopt high standards for trade and investment—is working. In addition to our FTA with Morocco, we completed an FTA with Jordan in 2000, concluded FTA negotiations with Bahrain in May, and signed five additional Trade and Investment Framework Agreements with countries in the region in the last year. Important to our progress has been the strong desire among countries in the region to conclude FTAs with the United States to benefit from more certain market access for goods and services, and the high standards for intellectual property, transparency, and anti-corruption that only such agreements can provide.

Working in close partnership with Congress has been critical to our successes to date. The Trade Act of 2002 has put in place procedures that make it possible to negotiate the types of agreements that not only address the pressing need for engagement with such regions as the Middle East and North Africa, but also bring real benefits to American workers and the U.S. economy and bolster economic and social reform in our partner countries.

The FTA with Morocco is illustrative of these positive developments in our trade agenda in the region. As Ambassador Zoellick has noted, "our agreement with Morocco is not just a single announcement, but a vital step in creating a mosaic of U.S. free trade agreements across the Middle East and North Africa." Under the courageous leadership of King Mohammed VI, Morocco has made legally binding commitments to liberalize trade with the United States. With this Agreement, Morocco has signaled its serious intention to pursue and, lock in place profound economic reform.

THE AGREEMENT

This Agreement will result in significant benefits for U.S. exporters, workers, investors, farmers and ranchers. Morocco is an emerging market at the crossroads of Europe, Africa and the Middle East. It imports $11.6 billion in products each year. Currently, however, U.S. products entering Morocco face average tariffs of more than 20 percent, while Moroccan products are subject to average duties of only 4 percent in the United States. Under this Agreement, more than 95 percent of two-way trade in consumer and industrial products will become duty-free immediately upon the Agreement's entry into force, with all remaining tariffs on currently traded products to be eliminated within nine years, making this the best market access package of any U.S. free trade agreement signed with a developing country. This Agreement will also serve to level the playing field for U.S. companies vis-à-vis their EU competitors.

Negotiating market access for agricultural goods was a significant challenge. Ultimately, negotiators from both sides were able to craft an agreement that balances Morocco's development needs and our free trade principles. U.S. access to the Moroccan market has been enhanced, while complementing Morocco's agriculture reform efforts, and taking into consideration the importance of economic and social stability in a sector of the economy that employs an estimated 44 percent of the population. Our beef and poultry producers will get new access to a market that was formerly closed to them. Tariff rate quotas for durum and common wheat could lead to five-fold increases in U.S. exports over recent levels.

We also achieved significant market access in services sectors. This will allow U.S. services providers to compete on a level playing field with Moroccan companies. Under the Agreement, Morocco has made broad commitments to create a wide array of new opportunities in its services sector including banking, insurance, audio-visual, telecommunications and computer-related services.

The Agreement provides for a high level of intellectual property protection, consistent with the standards set in U.S. law. This includes state-of-the-art protections for trademarks and digital copyrights, expanded protection for patents and product approval information and tough penalties for piracy and counterfeiting. Overall, Morocco has committed to substantially enhance protection and enforcement of intellectual property rights.

The government procurement and customs chapters of this agreement will promote transparency and efficiency and improved access. The Agreement establishes important obligations between the two countries, such as prohibiting discrimination by government purchasers between U.S. and Moroccan suppliers when making covered government purchases in excess of agreed monetary thresholds.

The rules of origin provisions allow for the possibility of counting the value of inputs from FTA partners in the region in determining whether goods receive preferential tariff treatment. This feature will facilitate the weaving together of our bilateral agreements as we move to a more integrated, region-wide agreement. It will also encourage trade among countries in the region, an important but missing ingredient for the region's development.

The labor and environment provisions also meet the objectives set out by Congress in the Trade Act of 2002. Each chapter's obligations are parts of the core text of the Agreement. In both cases, each Party commits to enforcing their own laws. This obligation is enforceable through the Agreement's dispute settlement procedures. Moreover, each government commits to promote high levels of environmental protection, to strive to ensure that its labor laws provide for labor standards consistent with internationally recognized labor principles, and to not weaken or reduce labor and environmental laws to attract trade and investment. Also notable are provisions calling for panel expertise in the event of labor or environmental disputes, as well as an innovative mechanism that allows for monetary assessments to induce a country to address its labor or environmental problems. The Agreement also establishes processes for further cooperation on labor and environmental issues, building on already extensive cooperation in these two areas.

Further important elements of this Agreement are its transparency, public notification, and anti-bribery provisions. These provisions will help to improve the business and investment environment in Morocco by providing more certainty and predictability for firms and individuals operating and investing there. In turn, by increasing the attractiveness of doing business in Morocco, such provisions will allow the Moroccan economy to realize the full potential for growth and development that an FTA provides. The agreement also establishes investment protections that will improve the conditions for investment by U.S. companies and are fully consistent with TPA objectives.

The trade advisory committees have shown widespread support for this Agreement. The most senior committee, the Advisory Committee for Trade Policy and Negotiations, found the agreement "to be strongly in the U.S. interest and to be an incentive for additional bilateral and regional agreements." Advisory committees on services, goods and intellectual property also expressed broad support. These committees highlighted the comprehensive nature of the Agreement and its rapid elimination of tariffs on U.S. exports. Several committees identified in particular the Agreements strong protection of intellectual property rights, with the advisory committee on Intellectual Property Rights saying that the Morocco FTA contains "the most advanced IP chapter in any FTA negotiated so far." Agricultural advisory committees voiced broad support for the agreement as well. We recognize that the Labor Advisory Committee has concerns about all FTAs that relate to the Committee's assessment of this Agreement. The U.S.–Morocco FTA, however, fully meets the guidance that the Congress gave us in the Trade Act of 2002.

CONCLUSION

The U.S.–Morocco FTA is a comprehensive, well-structured agreement that will provide concrete benefits for both Americans and Moroccans. The Agreement is an essential building block not only for Morocco's economic and structural reform effort, but also for the Administration's goal of building a more market-oriented, liberalized economic regime in the Middle East and North Africa. In addition, progress made bilaterally and regionally will support our global trade agenda and complement our efforts in the Doha round of negotiations.

This Agreement sets a benchmark of high quality for other potential FTAs in the region. It demonstrates that it is possible to tackle successfully some of the most contentious issues facing trade with developing countries, such as agriculture, and that agreements benefiting both sides can be reached. To ensure that this Agreement meets the high expectations we have for it, the Administration has refocused its assistance program with Morocco to help ensure the Agreement generates the benefits both sides expect. U.S. assistance will focus on helping the Moroccans to meet their FTA obligations, stimulate business development, and promote economic reform.

With your guidance and support, we will continue to pursue the Middle East Free Trade Area initiative. Working together, we feel confident that we can build a trading and investment community with the Middle East and North Africa that will stimulate growth, generate prosperity, and promote democracy.

Chairman THOMAS. Thank you very much, Mr. Allgeier. Although there were questions in the initial statement, I will be recognizing Members, and they can restate their questions at that time. First I will recognize the gentleman from Illinois, Mr. Crane.

Mr. CRANE. Thank you, Mr. Chairman. This agreement creates a TRQ for textile and apparel products, the first time we have used TRQs for anything except agricultural products. I understand that the quotas are large enough to cover current trade so they will not provide a limitation in this case, but I am concerned about the precedent that could be set by this provision. Can you describe the unique circumstances that made the use of TRQs appropriate here and provide assurances that this provision is unlikely to be used again?

Mr. ALLGEIER. Yes, we certainly do see it as a unique situation here, which I will describe in a minute, and it is not our intention to replicate this in future agreements. The situation we faced is we wanted to liberalize trade in both directions for textile and apparel as quickly as possible. The Moroccans were concerned that because of commitments they have, most-favored-nation commitments to the EU, if they opened up immediately for us, it would result in a flood of imports from the EU. So, we devised this system of these TRQs as a way of opening up trade to a certain degree in various products immediately, and then dealing with this Moroccan problem, and then maintaining the TPA responsibilities of reciprocity. So, that was the balance we tried to achieve, and we think it is a unique situation here.

Mr. CRANE. While the Chile and Singapore agreements were clearly used as models for this FTA, the agreement does contain differences. Are there any new provisions in this FTA which are not in the Chile and Singapore agreements that you believe are beneficial and should be carried over into future FTAs?

Mr. ALLGEIER. We believe that the standards that we are achieving in this agreement are comparable to those in Singapore and Chile, which is very significant given the different development levels. Obviously, we have had to customize certain elements for the Moroccan situation, particularly transitions, but basically we have achieved the same sorts of objectives, and there are no radical new innovations in this agreement that we would be carrying over to other agreements.

Mr. CRANE. This agreement will provide immediate duty-free access to 95 percent of current trade, making it the strongest agreement we have signed to date with a developing country. Do you believe expeditious action by the Congress will spark interest by other countries in the region to reform their economies as a step toward closer trade and economic relations with the United States?

Mr. ALLGEIER. Absolutely. We believe that having a permanent preferential comprehensive trade agreement with the United States is a very powerful incentive for countries to make the sorts of reforms that we are seeking. Several countries in the region have already approached us. I think that Chairman Thomas identified those about the possibility of free trade agreements in the future. Obviously, they are looking very closely to see if we can get this agreement through our Congress expeditiously.

Mr. CRANE. Thank you, Mr. Allgeier.

Chairman THOMAS. Thank you. Does the gentleman from New York wish to inquire?

Mr. RANGEL. Thank you, Mr. Chairman. Thank you again, Mr. Ambassador. We all are proud of our friendship with Morocco, and they certainly did not need us to improve the quality of their labor standards. We all have to feel proud as to the improvements that they have made as it relates to violation of child labor laws and moving toward ILO. Could you tell me in this short period of time why there is such a resistance from your office in advocating the adoption of ILO standards in these trade agreements?

Mr. ALLGEIER. Well, looking at this particular agreement, we see that Moroccan law largely is consistent with ILO standards and is moving in that direction. So——

Mr. RANGEL. Please, let me beg to—I hate doing this, but I have got a Chairman that is so strict with the time, and I do not want to get him annoyed. I know what you are saying is true, and that is why there is no resistance. They are moving hard toward it. My question was just simple. Why is there such resistance to including in the agreement incentives that we would help them to abide by the minimum ILO standards? Why do you resist that when sometimes the countries do not resist it?

Mr. ALLGEIER. Well, certainly in the case of Morocco, I do not think that either we or the Moroccans are resisting it. We are working together to achieve a standard of treatment that both of us seek, and the U.S. Department of Labor has programs of cooperation with Morocco to help them, for example, implement their new labor code.

Mr. RANGEL. I will have to find a better way to frame my question. Maybe I will go to U.S. Department of State school and learn how diplomats talk about these things. If you really want bipartisan agreement, you would try desperately hard to try to understand what we are trying to say to you in non-diplomatic but very political language.

Chairman THOMAS. The Chair appreciates the gentleman from New York not taking the full time. Does the gentleman from Louisiana wish to inquire?

Mr. MCCRERY. Yes, thank you, Mr. Chairman. Just briefly. I am just curious. You have stated that 95 percent of all consumer and industrial products will be duty-free when this agreement goes into effect. What percentage of products now are duty-free? So, I can get some idea of the improvement in that that this agreement will make.

Mr. ALLGEIER. Most of Morocco's products coming into the United States are duty-free because they benefit under the Generalized System of Preferences (GSP). We will have to get you the exact number for the percentage of U.S. products that are duty-free into Morocco at this time. As I mentioned, the average tariff we face in Morocco is 20 percent, so it is quite significant improvement of an access for us. We will get you the precise number.

Mr. MCCRERY. Okay. Thank you. Thank you, Mr. Chairman.

Chairman THOMAS. Thank you. The gentleman from Michigan, Mr. Levin.

Mr. LEVIN. Thank you, Mr. Ambassador. So, let's start with medicines, and then I want to follow up on Mr. Rangel's question. Maybe he would yield me an extra minute or two. There was an article in the Wall Street Journal just yesterday, and it starts off this way under the headline, "In New Trade Pacts U.S. Seeks to Limit Reach of Generic Drugs. As public health groups urge wider use of generic drugs to lower the cost of treating Advanced Immune Deficiency Syndrome (AIDS) and other diseases in developing countries, U.S. trade negotiators, prodded by the drug industry, are taking the opposite stance in new trade pacts, seeking to strengthen protections for costlier brand name drugs." So, I ask you, regarding the 5-year rule in terms of the use of test data, if Morocco decided not to abide by that—and I do not think it is in its law—does this agreement in any way restrict Morocco in terms of how it handles the sale of generic drugs in Morocco? If you can, as much as you can, does it or does it not? Is there some restriction?

Mr. ALLGEIER. Well, first of all, you are correct that Moroccan law currently does not give the 5 years of data protection that would be required under the Free Trade Area. In all of these areas of intellectual property, we are trying to bring countries to the practice and the standards that we have in U.S. law, which, of course, is part of our TPA responsibility. We feel, however, that certainly nothing in this agreement restricts Morocco from dealing with genuine health crises, as was envisioned in the Doha agreement and subsequent agreements.

Mr. LEVIN. Tell me how that works. If the agreement has a provision as to the use of data, doesn't that restrict Morocco?

Mr. ALLGEIER. Well, the restriction on data is that it does restrict another company from relying on the originator's data.

Mr. LEVIN. Right. So, essentially this agreement would restrict the flexibility of Morocco under its present law.

Mr. ALLGEIER. Well, I think it needs to be looked at in the context of the other provisions in this agreement, including the explicit recognition that nothing in this agreement prevents Morocco from availing itself of the flexibilities that we agreed on at Doha. So, for example, they could issue a compulsory licensing to a producer if they needed a drug for a health crisis.

Mr. LEVIN. Okay. Still, I think in terms of this provision, the 5-year test data provision, this agreement does restrict Morocco, does it not?

Mr. ALLGEIER. It does introduce a new obligation to Morocco on not allowing countries to use someone else's test data for 5 years. That is literally correct.

Mr. LEVIN. Okay. I am not sure the compulsory license has anything to do with this. It is important we speak plain English to people. So, the answer is, forgetting—not forgetting, but whatever the merits, it does restrict. I simply suggest everybody read this Wall Street Journal article, which is a rather lengthy one, in terms of what is our policy. It was one thing to use it in Australia where it really was not going to have any impact, or if it did, Australians could afford the cost of other medicines. That is not necessarily true in Morocco. The same is true, I think, in terms of parallel importation. I do not have much time, so let me just say a word about the labor provisions. Are you current as to where they are in terms of reform of their laws?

Mr. ALLGEIER. Yes, sir.

Mr. LEVIN. Could you for the record give us your analysis as to exactly where those reforms are and when they are likely to be completed and the extent to which they will then comply with basic ILO standards? If you could do that in the next few days, because your answer to Mr. Rangel that you think the laws are basically consistent, then his question becomes all the more salient. Why don't you put the implementation of these laws into trade agreements, enforceable, like everything else? Here relating to intellectual property, we essentially are requiring Morocco to abide by a provision that is not in their law, to go beyond their present laws, while when it comes to core labor standards we have a very different approach. We are not even willing to put into agreements that they must carry out basic ILO standards and name them. There is a basic inconsistency here in terms of, I think, how we view economic development mutually beneficial for all the people. My time is up. If you will give us a current status of their labor reform efforts, and if you can do that in a timely fashion, and then we will engage in discussions informally, I hope on a bipartisan basis, as to exactly where these reforms are. Okay?

Mr. ALLGEIER. Yes, we will provide that information, Congressman.

Mr. LEVIN. Okay. Thank you.

Chairman THOMAS. Thank you. Does the gentlewoman from Connecticut, Mrs. Johnson, wish to inquire?

Mrs. JOHNSON. Thank you. Mr. Allgeier, would you please discuss in some detail the agreement between Europe and Morocco since their trade is about 50 percent more than ours and the preferential status—I assume that that is given Moroccan products, a preferential status in the European market, and vice versa—and how this trade agreement will or will not put American products on an equal footing, a better footing, or a less good footing?

Mr. ALLGEIER. Yes, the arrangement between Morocco and the EU is a time-bound one that is renegotiated every 5 years. It is not as comprehensive as our agreement either in product coverage—it does not include all products, for example—and it is not as comprehensive in terms of the other disciplines that we have in our free trade area, including things like intellectual property and those sorts of investments in those sorts of disciplines. So, we are looking here at a much more comprehensive agreement than the partial preferential arrangements that the Europeans have.

Mrs. JOHNSON. Thank you. I have one other question, but that is very important because since Europe has been so active in the bilateral area and through it has actually been able to sell a lot more to other countries, it is high time that we develop these agreements to put our products on an equal footing and to have the kind of comprehensive agreement that isn't just about product trade but also about intellectual property rights (IPR). Which product areas do you think will enjoy the most dramatic and immediate benefit from this trade agreement?

Mr. ALLGEIER. On the industrial side, we think that information technology products, medical equipment, chemicals, civil aircraft, construction equipment will be among those that will benefit dramatically. In agriculture, I have already mentioned beef and poultry, wheat, soybean products. We think that fruits and vegetables, pistachios, almonds, apples, all will be beneficiaries of this, and, of course, a number of our services sectors, including audiovisual, financial, express delivery. Then anybody who is bidding on government procurement contracts in Morocco will benefit from this, to name a few.

Mrs. JOHNSON. Thank you. Thank you, Mr. Chairman.

Chairman THOMAS. Does the gentleman from New York wish to inquire?

Mr. HOUGHTON. Thank you, Mr. Chairman. I don't know that I want to inquire. I just want to congratulate you on this. I think it is a great agreement. Here you have an economy that is about 1 percent of what ours is and the population about 10 percent. We have got a trade surplus with them. We have got new labor reform measures which would kick in really by the FTA, having been stalled for 20 years. You have got enforcement of domestic labor and environmental laws, and also we have got a great dispute settlement procedure. What is wrong with this? What is the weak part of it? I think it is a great agreement.

Mr. ALLGEIER. I think the weak part of it is that we do not have more of them with other countries.

Mr. HOUGHTON. Do you want to break that down a little bit?

Mr. ALLGEIER. Well, I do not mean it really in the sense of being weak. I think that this is actually a good example of how we can strike a mutually beneficial agreement with a developing country, one that also has great importance to us strategically, and that this is recognized in the region. We have already discussed the fact that we have an agreement with Bahrain, and there are a number of other countries that are knocking on our door that are interested. They look at this kind of agreement, and so they know exactly what it is that we expect from such an agreement. I think that is a very important aspect of this agreement.

Mr. HOUGHTON. Is there any one issue that might loom in the future as something that you would be concerned about?

Mr. ALLGEIER. With respect to this agreement?

Mr. HOUGHTON. Yes.

Mr. ALLGEIER. No, I think we feel quite good about the understanding that the Moroccans have of what is in the agreement and of their seriousness in implementing it.

Mr. HOUGHTON. So, there isn't.

Mr. ALLGEIER. Correct.

Mr. HOUGHTON. Good. Thank you.

Chairman THOMAS. Does the gentleman from New York wish to yield to the gentleman from New York briefly?

Mr. RANGEL. I just want to join in with you in thanking USTR—I don't know whether I did that—and while I have this brief moment, to thank you for putting together the AGOA agreement with the cooperation of the Chair. Without his leadership we would not have been able to do it, especially to pass it on the suspension calendar. I wanted to take this opportunity to say that both to the Chair and to the USTR.

Mr. ALLGEIER. Well, we very, very much appreciate it. That was an extremely important accomplishment for us and for the country.

Chairman THOMAS. If the gentleman would continue to yield, I would like to thank the U.S. Senate for taking the House work product and passing it. If we can encourage more of that, we can move forward expeditiously. The one other thing about this agreement, I would tell the gentleman from New York, is that in this part of the world, they are not familiar with FTAs. They have these neomercantilist agreements with the EU, and this allows them to examine a far broader, more fundamental FTA. We hope there will be additional comparisons with the deal they are getting from the EU versus the deal they are getting from the United States and we can move forward with what we believe is a far more fundamental free trade working relationship. I thank the gentleman for yielding. Does the gentleman from Pennsylvania wish to inquire?

Mr. ENGLISH. Thank you, Mr. Chairman. I do. Ambassador, in your testimony, you cite a statement by the Advisory Committee on IPR indicating that the Morocco FTA contains the most advanced intellectual property chapter in any FTA negotiated so far. Briefly, could you comment on the significance of that in terms of our broader trade policy?

Mr. ALLGEIER. Yes, I would be happy to, Mr. English. This agreement does, in fact, have an extremely high standard for intellectual property protection across the range of our intellectual property areas. In terms of copyrighted works, they will join the various World Intellectual Property Organization (WIPO) Internet treaties. There also will be protection for copyrighted works for extended terms that will make it consistent with international standards. The government will use only legitimate computer software. This agreement requires them to adhere to standards that are basically equivalent to our Digital Millennium Copyright Act. This is a very important example for other countries of what is good intellectual property protection and what is achievable for a country that is at the status of Morocco.

Mr. ENGLISH. Ambassador, I represent a manufacturing district, and many of my manufacturers are reluctant to sell their products in the developing world for fear that their patented products will eventually lead to knock-offs and unfair competition that they will have no control over. What does this do to speak to their concern?

Mr. ALLGEIER. This agreement has very strong provisions on enforcement, and in most countries, the types of problems that your constituents are facing are a result of weak enforcement, not so much poor laws. So, this streamlines the rules for bringing copyright and trademark claims—trademark claims being very important for manufacturers—and effective remedies are also included in this agreement.

Mr. ENGLISH. Now, many workers in my district are very concerned when we negotiate these FTAs that we are entering into a trade relationship with countries that do not have state-of-the-art labor laws. We have heard already that Morocco last month put into effect what I consider for the region to be revolutionary labor laws. Speaking to those, can you tell me, are Moroccan workers now guaranteed the fundamental right to associate, strike, and bargain collectively?

Mr. ALLGEIER. Yes, they are. In fact, I should note that the Moroccan constitution guarantees the right to strike. So, the new labor law actually enhances that with appropriate procedures and affirming various rights. I think that this is certainly recognized. Previous USTR Mickey Kantor actually has been very complimentary of this and said that the Moroccans "have codified new labor rights and protections based on key ILO conventions. Congress can make an important contribution by approving the agreement this year." That is a quote from Ambassador——

Mr. ENGLISH. From the Clinton Administration. Thank you. Didn't the new labor code also raise the minimum employment age, improve safety in the workplace, reduce the basic work week, and provide for premium pay for overtime hours? Specifically, on the minimum employment age, does this not bring them into conformity with international standards?

Mr. ALLGEIER. That is my understanding. The law did raise the minimum employment age from 12 to 15. As you pointed out, it reduced the work week. It calls for a periodic review of the minimum wage, on top of a 10-percent increase in the minimum wage.

Mr. ENGLISH. On that point, are there any plans to increase the minimum wage for Moroccan workers?

Mr. ALLGEIER. Yes, there will be a periodic review, the law requires a periodic review of the Moroccan minimum wage to determine if it needs to be modified or to be increased.

Mr. ENGLISH. Would these dramatic improvements in Moroccan trade law be enforceable under the FTA? If so, how?

Mr. ALLGEIER. The FTA does require, subject to dispute settlement, a country to enforce its own laws, and it cannot—if there is a pattern of failure to enforce the law in a manner that affects trade, that is something that is subject to the dispute settlement provisions of this agreement, as is any other violation of this agreement.

Mr. ENGLISH. Will the United States continue to provide support to the Moroccan Government to further develop the environment for workers and tools for enforcement of those recently enacted changes? If so, how?

Mr. ALLGEIER. Yes, the Department of Labor has a number of programs that support Morocco in this regard, and I should say that a number of these programs are actually implemented by the ILO.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

Chairman THOMAS. I thank the gentleman. Does the gentleman from Florida wish to inquire?

Mr. SHAW. Yes, Mr. Chairman. I passed and indicated that I did not have any questions when you first called on me a few minutes ago. However, with the comments regarding AGOA made by my friend from New York, I thought it would be quite proper for me to report to the Committee that I just returned from Tanzania and looked at a factory which will be exporting to Wal-Mart—it is a cut-and-sew shop—and saw what was going on there. Tanzania is an extremely poor country. It has a very low minimum wage. I saw 900 workers that I was privileged to address, along with another Member of Congress, and saw their attitude and their eagerness and pride in a job. I just want to report back to the Committee that the only way that we are going to even take part in raising the standards of living in countries such as Tanzania is through trade. The comments were made over and over: "We want trade, not aid." This is the way to fight poverty on a global scale, and I just wanted to tell the Members of the Committee who supported this most important legislation, which was, incidentally, just extended before the July 4th break, that it is working and it is having the exact results that all of us had hoped for. I yield back, Mr. Chairman.

Chairman THOMAS. I thank the gentleman. Does the gentleman from Washington, Mr. McDermott, wish to inquire?

Mr. MCDERMOTT. Thank you, Mr. Chairman. Mr. Deputy, there has been disputed territory between Morocco and some of their neighbors. Does this agreement cover the territory that is disputed?

Mr. ALLGEIER. This agreement, like all trade agreements, deals with the customs territory of the other country, and so however that is defined that they exercise responsibility over, that is the territory that would be covered by this agreement.

Mr. MCDERMOTT. So, if products come from the territory that is disputed, as long as it is coming through the Moroccan customs system, you do not make any distinction?

Mr. ALLGEIER. Well, this agreement does not change our policy with respect to the Western Sahara.

Mr. MCDERMOTT. That is?

Mr. ALLGEIER. That is that that is not part of Morocco. It is not part of the customs area of Morocco.

Mr. MCDERMOTT. So, you are on the side of Morocco—or on the side of the Western Sahara in that dispute?

Mr. ALLGEIER. No. We are simply saying that the current customs territory of Morocco, which does not include the Western Sahara, is what is covered by this agreement, and products would have to originate within that customs area, within that customs territory.

Mr. MCDERMOTT. Does it say that in the agreement anywhere?

Mr. ALLGEIER. There is not a specific definition of the territory within the Moroccan agreement and, therefore, it does not change the current recognition that our Customs Service gives to the territory of Morocco. So, the existing territory, not the disputed territory, is what is current practice and remains the practice within this agreement, as far as——

Mr. MCDERMOTT. You are saying that the definition is grandfathered in from other agreements previously made.

Mr. ALLGEIER. From our current practice and our current policy of recognition, yes.

Mr. MCDERMOTT. Okay. How specific is this agreement around the issue of currency control? Can the Moroccan Government do anything to prevent the outflow of currency?

Mr. ALLGEIER. There are not restrictions on transfers. This is a carryover from our bilateral investment treaty with Morocco. This is carried forward into the chapter on investment in the Free Trade Area because the chapter on investment in the Free Trade Area will supersede, with the proper transition, the bilateral investment treaty. So, there are not provisions for capital controls and restrictions on transfers.

Mr. MCDERMOTT. In this agreement?

Mr. ALLGEIER. Correct.

Mr. MCDERMOTT. Now, are there restrictions in other agreements with them?

Mr. ALLGEIER. Not that I am aware. We will double-check that, but I am not aware that there are other restrictions.

Mr. MCDERMOTT. Because it was an issue, it has been an issue in a lot of these trade agreements recently, Singapore and others, and I wondered how you dealt with that issue here. Or do you have a general policy to try and remove restrictions or allow the free flow of capital wherever it goes?

Mr. ALLGEIER. It has been a longstanding policy of ours in the bilateral investment treaties that we negotiate that there should be free transfers for U.S. investors. So, we seek both in our bilateral investment treaties and in the investment chapters of Free Trade Areas to maintain that policy as much as possible, and I think we have a good track record for doing that.

Mr. MCDERMOTT. Because it seems to me that one of the things that we ought to be worried about, or at least I consider, is the whole question of what happened in the East Asia crisis, where you had the value of the rupiah in Indonesia just went from where it was to nowhere and crushed that economy, and it happened in Thailand and it happened in several of those countries, in part because they had absolutely no ability to stop the outflow. I wondered if that was something—and you are saying it is something that we put into our agreements that we do not want anything to stand in the way of Americans to be able to pull their money out of these countries if there is any kind of problem that develops.

Mr. ALLGEIER. Yes, we are trying to protect the investments of U.S. citizens in these countries. Obviously, questions of what macroeconomic policies these countries follow have a greater impact on what the value of their currency is or what their capital flow situation is than the transfer provisions of our investment chapters. At least that is our feeling.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Chairman THOMAS. Does the gentleman from California, Mr. Herger, wish to inquire?

Mr. HERGER. Yes, thank you very much, Mr. Chairman, and thank you, Mr. Ambassador, for the work you have done on this very important trade agreement. I represent a very rich agricultural area with a number of specialty crops in Northern California in the Sacramento Valley, and I want to thank you for the strong rules of origin on Moroccan olives included in this agreement. Early on, some California olive growers were concerned about subsidized Spanish olives being packaged in Morocco and resold in the United States duty-free. My understanding is that the rules of origin in the agreement require Moroccan olives covered under this agreement to be grown in Morocco. So, I appreciate your commitment to fair trade on this particular issue. I also appreciate the strong IPR protection included in this agreement. They are very important to the California high-tech economy, so I thank you on both these fronts. A question I have is one that was alluded to, I believe, just a little earlier, but does the fact that our FTA with Morocco covers agricultural products while the Moroccan Association Agreement with the EU does not give our producers a competitive advantage in the Moroccan market?

Mr. ALLGEIER. Yes, first of all, let me confirm that you accurately described the rule of origin that we are using for olives and for a number of other agricultural products to ensure that there is not transshipment of products from outside of Morocco. In terms of where we have, we think, particular benefits vis-a-vis European competition in Morocco—in the area of beef and poultry, for example—they are restricted to selling to the military market there, and we now have openings to the domestic market for those products. Also soybeans is another area where we have those sorts of advantages. So, there would be a number of products where we have an advantage over the Europeans in the agricultural area.

Mr. HERGER. Again, thank you very much, Mr. Ambassador. Fair and free trade as we are experiencing in this agreement is so crucially important. The fact that I believe we have such overwhelming support, bipartisan support from the Congress indicates what a great job the Administration has done in this area. I want to encourage you to continue this work with other countries that we need the same agreements with. Thank you very much.

Mr. ALLGEIER. Thank you, Mr. Congressman.

Chairman THOMAS. Does the gentlewoman from Washington wish to inquire?

Ms. DUNN. Thank you very much, Mr. Chairman. Thank you for being with us today, Mr. Allgeier. I want to congratulate the USTR for doing a great job on this agreement. It is one that we are all excited about, and I have, along with Mr. English, been a couple of times in Morocco, most recently a few weeks ago. I think we are all eager to begin to do increasing business with that nation. I am a particular advocate for compliance with intellectual property rights, and I would like to ask you—and excuse me if this question has been asked. I had to leave the room in order to meet with some constituents. Can you please expand for us on how the United States–Morocco FTA better protects IPR, both in compliance but also in enforcement?

Mr. ALLGEIER. Yes, I would be happy to. Really, it is a very comprehensive chapter on intellectual property in that it covers patents, trademarks, copyright issues, and basically brings the Moroccan practice and law up to the sort of standards that we have here in the United States. You mentioned enforcement. Here there are streamlined procedural rules for people bringing copyright and trademark claims. There are effective remedies, which include statutory damages, and enforcement officials may act on their own authority in border cases and criminal IPR cases. So, they do not even have to wait for a particular petition to be brought to them. They do not have to have a formal complaint. So, we believe that both at the level of the law and at the level of enforcement, this agreement moves Morocco forward on intellectual property and obviously then protection for our intellectual property works, which are so important for us. If there are particular parts of intellectual property that you would like more details, we would be happy to provide those to you.

Ms. DUNN. Thank you very much. I think in general, but particularly in the area of software. Thanks, Mr. Chairman.

Chairman THOMAS. Thank you. Does the gentleman from California, Mr. Becerra, wish to inquire?

Mr. BECERRA. Thank you, Mr. Chairman. Ambassador, thank you for coming and good to see you again. Let me follow up on some of the questions that were asked by my colleague from Washington regarding intellectual property. Give me a sense of what the laws are currently for Morocco and what we have done, because my understanding is that this agreement is very similar to the agreements that we have with Chile, Singapore, and now hopefully in the future with Australia. Give me a sense of where Morocco is today with regard to intellectual property in terms of its laws, its norms, and how it differs from what the trade agreement would provide.

Mr. ALLGEIER. Yes, I would be happy to. Well, there are a number of areas in which Morocco has not acceded yet to important intellectual property treaties, and they will do so as a result of this agreement. For example, in the area of copyrights, there are the WIPO Internet treaties. This obviously is a very, very important area for our industry. This will extend the term of protection for copyrighted works in Morocco. On the trademark side, they will accede to the trademark law treaty, and this agreement also ensures that they will have an appropriate procedure for the settlement of domain name disputes, again, dealing with the Internet. These elements have been established in the uniform domain name dispute resolution policy. On copyrights, the copyright owner will maintain the rights to temporary copies of their works on computers. This is an important area in dealing with piracy in digital works. The terms of protection for copyrighted works and for phonograms will be extended, and the government can use only legitimate software. Also, there will be protection for encrypted programs that are brought through satellite signals. So, all of these new technologies are areas that have not been protected to date and will be protected under this agreement.

Mr. BECERRA. Ambassador, do we have any sense of how they are going to implement these changes? Are they providing additional resources to their relevant agencies to try to now enforce these heightened standards under intellectual property norms?

Mr. ALLGEIER. Well, obviously they will have to allocate additional resources, but also we are working with them——

Mr. BECERRA. Have they made a commitment to do so?

Mr. ALLGEIER. Yes, they have. Also, we are working with them through technical assistance, because some of these things are rather sophisticated——

Mr. BECERRA. Our Patent Office will be working, in fact, has been working with them in the past.

Mr. ALLGEIER. Well, it would be patent and copyright, and also we expect that the private sector will also be helping them.

Mr. BECERRA. Now, let me turn to the labor area. I know that Morocco has recently amended its laws, domestic laws, to try to bring it closer to the ILO standards, the more internationally accepted standards for acceptable labor practices. They did not include all of the different ILO standards. We pushed very hard—and I know this has been asked by some of my colleagues previously, but we pushed very hard to make sure that our intellectual property was protected, and rightfully so. Morocco, as any other country, should abide by the international standards through the treaties that we have in place and so forth.

Why would we not also push Morocco—if it is already making strides to try to improve its labor practices, why would we not want to do what you said just a minute ago in reference to a question posed by the gentlelady from Washington, Ms. Dunn, where you mentioned that the agreement brings Morocco's standards and laws to the standards that we have here in the U.S. with regard to intellectual property. Why would we not want to try to push Morocco, not perhaps to have our standards when it comes to labor, because we have higher wages, a higher standard of living and so forth, but at least push them to at least meet the minimum standards that are recognized internationally and not allow them to meet some but not others?

Mr. ALLGEIER. First of all, I think that we certainly did use the influence of this FTA to encourage the passage of this labor reform law in Morocco, which is a very significant——

Mr. BECERRA. It seems that we are able to succeed in getting real significant changes in their domestic law to IPR, which is important and good, but we did not really push them to do what they could have done with regard to basic labor standards, not our standards but basic labor standards.

Mr. ALLGEIER. Well, we think that actually the new labor law does include the ILO standards. Substantively, it includes those ILO standards.

Mr. BECERRA. The right to strike?

Mr. ALLGEIER. Yes. Well, they have had a right to strike within their constitution. What they are working on now are some of the extra, additional procedural elements in the right to strike, but they do have the right of strike and they do exercise it.

Mr. BECERRA. I appreciate your time. Thank you, Mr. Chairman.

Mr. ALLGEIER. Thank you.

Chairman THOMAS. Thank you. Does the gentleman from Illinois, Mr. Weller, wish to inquire?

Mr. WELLER. Thank you, Mr. Chairman. Good morning, Ambassador. I appreciate you being before the Committee, and like my colleagues, I want to congratulate you, President Bush, Ambassador Zoellick, and all of you on the progress you are making on expanding opportunities for expanded trade for Illinois manufacturers and Illinois farmers with the agreements you are moving forward. I look back when I served in the 1990s, we sat on the sidelines when it came to expanding trade opportunities, and in the last 4 years, under President Bush and Ambassador Zoellick, we have been very aggressively working to open up new opportunities. This Moroccan agreement, like the Dominican and Central American agreement, the Australia agreement, continue to break down barriers and open up markets for Illinois farmers and Illinois manufacturers, and for that I want to commend you and particularly Ambassador Zoellick for the work that the Office of the USTR is doing.

Morocco is a good friend of ours. They have been a partner and ally in so many areas, and right now we do about $475 million in exports to Morocco from the United States. There is tremendous opportunity for more of this agreement. I believe with your good work it is going to give us that opportunity.

I would note, because we are playing catch-up with our European competition, that they do twice as much business with Morocco as we do. My hope is this agreement will expand our opportunities. From the standpoint of agriculture and the standpoint particularly of small manufacturing, which are major components of the economy that I represent, my district is heavily dependent on export. I was wondering, can you just walk us through the impact, particularly on corn, soybeans, and beef, of this Moroccan trade agreement?

Mr. ALLGEIER. Yes, I would be happy to do that. On beef, as I said previously, we really did not have access to that market before. Now there will be basically two segments of the market that we will have access to: first of all, high-quality beef, and there is a TRQ that will expand, that will allow us to sell this beef in restaurants and hotels and so forth; but then also there is a similar provision for standard-quality beef. So, this will open up that market there, and it is a growing TRQ, and the tariff within the quota will be eliminated. You also asked about, I believe, soybeans and on soybeans and soy products, that also will be—it will eliminate immediately their tariff on soybeans, and they will also be eliminating the tariff, very high tariff—72 percent, 75 percent—on high-value soybean meal used in human feed. So, the soybean area and other oilseeds and products also will be opened up by this agreement.

Mr. WELLER. How about corn?

Mr. ALLGEIER. Corn, yes, corn also will be opened up, corn and corn products. There is a high tariff on corn. Their tariff on corn now is 35 percent, and its tariffs on corn products such as flour, meal, and flakes, is as high as 60 percent. So, these tariffs will be reduced by 50 percent in the first year, and then they will be eliminated over the next 5 years in equal annual reductions.

Mr. WELLER. So, it appears that if you are an Illinois corn farmer or raise soybeans or beef, you are a big winner under this agreement compared to the status quo.

Mr. ALLGEIER. We expect that. Yes, sir.

Mr. WELLER. You know, Illinois is, of course, a major manufacturing State. We often think of heavy construction equipment and other major manufacturers, but also there are a lot of small manufacturers. When it comes to market access for particularly our smaller manufacturers and smaller businesses, what kind of opportunities do you see resulting from this agreement for them?

Mr. ALLGEIER. Well, certainly there will be the elimination of the tariffs, but I think particularly for smaller exporters, what is very important are the customs procedures that the country has, and whether these customs procedures are transparent, whether they are simple, whether they are reliable and that there is not any sort of under-the-table payments that have to be made to get your products through, this is a very difficult situation for small exporters. They cannot cope with that if they do not have these sorts of protections, and that is a very important element here in this agreement.

Mr. WELLER. Thank you, Ambassador. Again, congratulations. I look forward to working with you toward ratification.

Mr. ALLGEIER. Thank you.

Mr. WELLER. Thank you.

Chairman THOMAS. Does the gentleman from Wisconsin, Mr. Ryan, wish to inquire?

Mr. RYAN. I do. Thank you, Chairman. I just wanted to get through a couple of things. First of all, since my home State of Wisconsin is one of the leading exporters to Morocco, I think this is a big win for Wisconsin, especially what the gentleman from Illinois said, corn, soybeans, manufacturing products. Those are the big exports that we have, and the fact that these tariffs are coming down such a great level so quickly is very good. There is an untold story here that I worry is not getting told, and that is the labor reforms that have occurred as a result of this trade agreement.

Now, is it not true that Morocco was dealing with trying to pass labor reforms for about 20 years and just could not get off the ground? Is that not the case?

Mr. ALLGEIER. That is accurate.

Mr. RYAN. So, when this trade agreement came about, did it not bring forward a whole new labor reform law that, if I am correct, dealt with combating child labor, reduced the work week from 48 to 44 hours, with overtime rates payable for additional hours? Did it not call for periodic reviews of the minimum wage, which is increasing by 10 percent in July, just a few days ago? Does it deal with worker safety and health laws, gender equity in the workplace? Does it promote employment for the disabled? Does it guarantee rights of association and guarantee collective bargaining? Does it prohibit employers from taking actions against workers because they are union members? Does it also guarantee the right to strike?

Mr. ALLGEIER. Yes, all of those elements that you identified are part of the labor code reform that is now in effect.

Mr. RYAN. That is a new reform code that came largely because of this new free trade agreement with Morocco?

Mr. ALLGEIER. Yes. They were stuck for nearly 20 years, and they do this through a tripartite arrangement of government, business, and labor, and they succeeded, frankly, we think, with the help and incentive of this agreement to pass and put into place the labor reform that you just described.

Chairman THOMAS. Would the gentleman yield briefly?

Mr. RYAN. Yes.

Chairman THOMAS. To make sure the record is completely accurate, my understanding is that the recent codification does not include the right to strike. That is a guarantee in the constitution, but it is not included in the recent codification. Is that correct or not?

Mr. ALLGEIER. It is correct that it is in the constitution, but what the new labor code did was strengthen the right to strike, for example, by prohibiting the hiring of substitute workers, prohibiting other practices.

Chairman THOMAS. Excellent. Thank you.

Mr. RYAN. What I think is important to note here is that as we go to fulfilling the vision of AMEFTA for North Africa and for the Middle East, what we are accomplishing is bringing these developing countries into the First World, bringing up their labor and environmental standards, bringing up their transparency, bringing up the protection of intellectual property. This is not only good for America and for American jobs and consumers and for our exporters, but this is good for our relationships that are so important with this part of the world. So, I just want to commend you for that, and I just hope that this story of how this agreement was a catalyst to rising labor standards, to improving trade, and opening up new markets for our products is a story that does not go on untold. With that, I just want to yield. Thank you.

Chairman THOMAS. Does the gentleman from North Dakota wish to inquire or perhaps get a piece of the Moroccan market?

Mr. POMEROY. We are very interested in the Moroccan market, Mr. Chairman, and I would have a quick question in that regard. Although there are many commodities potentially affected by the trade agreement, the one that I would specifically direct my questions to Mr. Ambassador involve sugar, specifically the net exporter provision relative to future sugar that might come to our country under preferential status from Morocco. We have worked very closely with the U.S. Trade Representative's office in other agreements as well to make certain that we suddenly just don't have a passthrough that they send all their sugar out and pull in sugar at a global dump price. So, is the language very clear that, to the extent that there is any special treatment for sugar under this agreement, it is only to the extent that Morocco achieves a net exporter status?

Mr. ALLGEIER. Yes, sir, that is a precondition that they would have to achieve net exporter status before they could increase any sugar shipments to the United States.

Mr. POMEROY. Is that part of the 18-year transition period or is that permanent, that is just how it goes?

Mr. ALLGEIER. I believe that it is permanent, that that is a permanent requirement, a permanent precondition. It is not just a transitional element.

Mr. POMEROY. I believe it is, too. How certain can we be on this point, which is an important one, permanent versus 18-year?

Mr. ALLGEIER. It is permanent.

Mr. POMEROY. Permanent is good. I yield back, Mr. Chairman.

Chairman THOMAS. I thank the gentleman. Do any other Members wish to inquire of the Ambassador? I believe the gentleman from Michigan had a parting——

Mr. LEVIN. Just quickly. You raised a point regarding the labor provisions, and before I talk about that briefly, on the capital controls provision, we should all look at that. I think you know there is some basic concern among a number of us about this provision. It was modified in the Chile agreement at the insistence of Chile. I think we should be very careful before we believe that this is something that on a cookie-cutter basis should be placed into other agreements. Mr. McDermott has raised some legitimate questions about it.

Secondly, on the labor standard issue, you are going to send us material about the new reforms that are being discussed, and hopefully implemented, because in answer to Mr. English and then to Mr. Ryan, you said the right to strike is protected. It is in the U.S. Constitution. In reality, it has faced a number of problems, I think not only from the point of view of workers but from the point of view of management. So, let's not suggest that there is not further work that is being done and that should be done to make the right to strike a reality and consistent with ILO standards. The more some of my colleagues talk about how much progress Morocco has made, the more it raises the question: Why not have a provision in the agreement requiring that the parties abide by basic ILO standards? In a sense, the more progress Morocco has made, the more it contrasts with other places where we have negotiated trade agreements.

I want to finish—Mr. Weller is not here anymore, but we have tried to put trade or continue it on a bipartisan basis. It does not help, in fact, it hurts to talk about the 1990s as this government sitting on the sidelines. It just is not true. In the 1990s, CBI, AGOA, China PNTR, Cambodia, Jordan, Chile, and Singapore were started. The World Trade Office agreement was finalized in this institution. I am sorry Mr. Weller is not here, but to try to talk about the 1990s as a period of sitting on the sidelines is factually erroneous, and I think it is harmful to any efforts to once again have a bipartisan coalition on trade issues. Thank you, Mr. Chairman.

Chairman THOMAS. I thank the gentleman. Mr. Ambassador, we want to thank you on behalf not only of this Committee and the Congress but the United States in continuing to move forward under the new agreement that we have in place after many long years of not having an agreement through the 1980s and the early 1990s and are now being able to make agreements around the world. It was very difficult for all of us watching rather than moving forward. This is on the whole an excellent agreement, and we thank you for your efforts. It is this Chairman's intention and goal to move this to the floor and off of the floor prior to the Democratic National Convention. With that, and thanking you, the Chair will call the next panel.

Chairman THOMAS. If David Mengebier, Senior Vice President at CMS Energy Corporation, Jackson, Michigan, would come forward; Jamal Belcaid, President of Yasmine Enterprises, Denver, Colorado; David Hamod, President and Chief Executive Officer, National U.S.–Arab Chamber of Commerce; Melika Carroll, Trade Policy Director, Intel Corporation, Santa Clara, California; and David Taliaferro, a farmer from Laneview, Virginia, on behalf of the Wheat Export Trade Education Committee, the National Association of Wheat Growers, and the U.S. Wheat Associates.

It is the Chair's understanding that Mr. Taliaferro has been in the South long enough to prefer "Talifer" to the apparent pronunciation. We are going to have Mr. "Talifer" in front of us, I would tell the gentleman from Illinois. If you will turn your name tags around, you have been able to determine where you sit by virtue of seeing your names, and now the Committee would prefer to see them. I would ask, Mr. Mengebier, if you will simply begin to address the Committee. All of you have written statements which will be made a part of the record. You have 5 minutes. You have a button that you need to light up, and the Committee will then, if there are any questions, inquire after each of you, beginning with Mr. Mengebier and then moving across the panel, make your statements. With that, welcome to the Committee.

STATEMENT OF DAVID MENGEBIER, SENIOR VICE PRESIDENT, CMS ENERGY CORPORATION, JACKSON, MICHIGAN

Mr. MENGEBIER. Thank you, Mr. Chairman and Members of the Committee, for the opportunity to testify today in support of the U.S.–Morocco FTA. CMS Energy is an integrated energy company headquartered in Jackson, Michigan. In Morocco, we operate and are a 50-percent owner of the Jorf Lasfar power plant, located in the province of El Jadida on the Atlantic Coast. This 1,356-megawatt, $1.3 billion facility supplies approximately 60 percent of daily demand for electricity and represents the largest American investment in Morocco.

CMS is proud to serve as the corporate co-chair of the U.S.–Morocco FTA Business Coalition. This coalition of nearly 100 companies and associations believes the FTA is a comprehensive, high-standard agreement, and we urge its approval by the Congress this summer. With your permission, Mr. Chairman, I would like to insert into the record a short background paper prepared by the FTA Coalition, along with its membership list.

Mr. CRANE. [Presiding.] Without objection.

Mr. MENGEBIER. Thank you.

[The information was not received at the time of printing.]

The CMS has had experience building and operating energy facilities in more than 20 countries. Our experience has taught us that to succeed, these investments must be based on partnerships with the host country that entail collaboration, trust, and common vision. By these standards, our experience in Morocco has been outstanding. Our working relationship with the government and the Moroccan national utility has been one of openness, transparency, and cooperation.

We have tried to reciprocate by working with our Moroccan partners to strengthen the Moroccan economy and society. While Morocco is not among the largest economies, its strategic location, its commitment to economic reform, and its longtime friendship with the United States are all factors that argue in favor of an enhanced economic partnership.

The U.S. International Trade Commission (USITC) reported last week that U.S. exports to Morocco are likely to increase by $750 million and imports from Morocco by nearly $200 million through the implementation of the FTA. Other benefits will emerge that are not as easily quantified. United States companies will bring new technology, best practices, and vigorous corporate citizenship programs to their work in Morocco. These contributions will highlight to Morocco the benefits of doing business with U.S. firms and over time will enable the United States to compete better with Europe, which historically has played a disproportionate role in Morocco's economy.

On the labor front, we employ more than 500 Moroccan citizens to operate our power plant. These jobs include management-level positions, pay fair wages and benefits, and involved rigorous training and education programs. Morocco still has major remaining infrastructure requirements, and the FTA will enhance opportunities for U.S. companies to respond. As they do, we fully expect they will bring a similar approach to labor practices.

The labor situation took a significant step forward with the adoption last year of a new labor code—a development that many of us believe was driven in part by the FTA negotiations with the United States. Implementation of the new code promises to improve labor conditions further still and will bring greater predictability and stability for employers and investors.

Because electricity must be produced in proximity to its market, I emphasize that we did not export a single job when we made this investment. Instead, we created and are now sustaining jobs in Michigan to deal with technical, financial, legal, and other requirements. On top of that, some of our current suppliers and lenders include companies from New York, Virginia, Tennessee, California, Connecticut, the State of Washington, Washington, D.C., New Jersey, and elsewhere. This multiplier effect will be repeated as other U.S. companies come to Morocco under the FTA.

Our experience likewise shows that investment and economic growth can be managed in a way that advances the cause of environmental protection. CMS has worked closely with the Moroccan authorities and others to establish world-class standards on water quality and emissions and to deploy state-of-the-art pollution control technology and practices.

The FTA will have a positive and immediate impact on the importation of U.S. goods and services we use at the plant. Our facility is already operating, so the FTA will not affect prices on the big ticket items imported during construction. On an ongoing basis, we import about $10 million in goods and services annually to operate and maintain our facility. About 80 percent of that currently comes from Europe since U.S. goods and services are subject to as much as a 42-percent customs duty. Once the FTA comes into effect, however, we anticipate we could nearly triple the amount of goods and services we procure from the United States. This is especially true with regard to services, as the FTA includes specific coverage of energy services and Morocco's trade agreement with the EU does not.

In closing, both CMS Energy and the U.S.–Morocco FTA Coalition recognize that it will be a challenge for the Congress to approve this agreement prior to the August recess. We, nonetheless, believe it can and should be done. It is an outstanding agreement, it is good for the United States, it will advance the cause of economic progress, and it will help an important friend in a key part of the world. Thank you.

[The statement of Mr. Mengebier follows:]

Statement of David Mengebier, Senior Vice President, CMS Energy Corporation, Jackson, Michigan

Mr. Chairman, Members of the Committee, I thank you for the opportunity to testify regarding the United States–Morocco Free Trade Agreement (FTA).

By way of background, CMS Energy is an integrated energy company headquartered in Jackson, Michigan. Most of our assets and operations are located in Michigan, but we also have investments elsewhere in the United States and in international markets. In Morocco, we operate and are a 50% owner of the Jorf Lasfar power plant, located in the province of El Jadida on the Atlantic Coast. This 1,356-megawatt, $1.3 billion facility is the largest independent power project on the continent of Africa and supplies approximately 60% of Morocco's daily demand for electricity.

CMS Energy is an active member and honored to serve as the corporate co-chair of the U.S.–Morocco Free Trade Agreement Coalition. The Coalition is comprised of nearly 100 companies and associations, all of whom support Congressional approval of the FTA. The coalition's leadership also includes the other corporate co-chair, Time Warner, and two outstanding Washington-based associations, the National Foreign Trade Council and the Business Council for International Understanding.

The U.S.–Morocco FTA Coalition strongly supports the FTA and urges its timely passage by the Congress this summer. The FTA is a high-standard, comprehensive agreement that will eliminate tariff and non-tariff barriers to trade for our manufacturing and agricultural sectors, boost bilateral trade for our services sector, help to finance new investment flows, and stimulate economic growth and opportunity in the United States and Morocco. It will serve as an important building block in the proposed Middle East Free Trade Area. It will deepen U.S. ties with a country that recently was designated a major non-NATO ally and is a steadfast partner in the war against terror. The FTA is a new milestone in America's historic relationship with Morocco—the first country to recognize the newly independent United States and a partner in the longest unbroken treaty relationship in U.S. history.

With your permission, Mr. Chairman, I would like to insert into the record a short background paper prepared by the Morocco FTA Coalition and its membership list.

CMS Energy in Morocco

Over time, CMS has had investments or operations in as many as 22 countries. To succeed, these investments must be based on partnerships that entail collaboration, trust and common vision. By these standards, our experience in Morocco—where we are the largest American investor—has been outstanding. When changes have been required in the legal, regulatory or policy regime that governs our project, the needed adjustments have been developed in a cooperative and transparent fashion.

We have tried to reciprocate by establishing ourselves as good corporate citizens and partners in Morocco's growth and development. In practical terms, we have gone beyond the requirements of our contracts in order to help strengthen the Moroccan economy and society. We have assisted in the planning of a nearby industrial park and support local efforts to establish the area as a regional hub for manufacturing, training and exports. We provide charitable contributions, support educational, social and health related causes, including adopting and refurbishing several local schools and undertaking a substantial multi-year commitment to the Moroccan Fulbright program. As a Michigan based company, we are working to establish and expand links between Morocco and the United States in the automotive sector, which we think holds particular promise under the FTA.

Impact of the FTA

While Morocco is not among the world's largest economies, its strategic location at the crossroads of Europe, Africa and the Middle East, its fundamental commitment to economic liberalization, and its longtime friendship with the United States are all factors that argue in favor of an enhanced economic partnership. The proposed Free Trade Agreement will increase levels of trade and investment from the United States and will create jobs, promote exports, and increase revenues for U.S. firms. It similarly will stimulate economic growth and development in Morocco.

As you no doubt are aware, the U.S. International Trade Commission reported last week that U.S. exports to Morocco are likely to increase by $740 million and imports from Morocco by nearly $200 million through implementation of the FTA. Other benefits will emerge that are not as easily quantified. For instance, as U.S. companies establish themselves in Morocco under the FTA, they, like CMS Energy, will bring new technology, best practices, and vigorous corporate citizenship efforts. This will improve further the investment climate, strengthen business practices and standards, and highlight the benefits of establishing business relationships with U.S. firms. As a result, America in time will be better able to compete with Europe, which historically has played a disproportionate role in Morocco's trade and investment picture. In sum, the FTA promises to strengthen the U.S. and Moroccan economies, improve U.S. competitiveness, and cement the bonds between our governments, private sectors and peoples.

CMS Views of the FTA

We employ more than 500 Moroccan citizens to operate our facility. Because electricity must be produced in proximity to its market, let me underscore that we did not "export" one job when we made this investment. Instead, the project created and now helps to sustain a variety of jobs in the United States in order to deal with ongoing management, technical, financial, legal and other business issues. On top of that, some of our current suppliers and lenders are based in the United States, so there is a multiplier effect that brings jobs not only to Michigan, but also places such as New York, Virginia, Tennessee, California, Connecticut, the State of Washington, Washington, D.C., New Jersey, and elsewhere. This is a phenomenon that will be replicated as other U.S. companies establish trade ties or make investments pursuant to the FTA.

We have taken steps to ensure that the types of jobs that we have created in Morocco include management level positions, pay fair wages and benefits, and involve rigorous training and education programs. We are more than pleased with the quality and sustainability of the work force we have established in Morocco. Morocco still has major remaining infrastructure requirements, including in the energy sector, and the FTA will accelerate opportunities for U.S. companies to meet those requirements. As they do, we fully expect that they will bring a similar approach to employment and labor practices.

The labor situation took a significant step forward with the adoption of a new labor code last year—a development that many believe was driven in part by the FTA negotiations with the United States. Implementation of the new code will improve labor conditions further still, creating stability and predictability for employers and union employees alike.

Our experience likewise shows that investment and economic growth can be managed in a way that advances the cause of environmental protection. CMS has worked closely with Moroccan authorities and other parties to establish world-class standards on water quality and emissions and to deploy state-of-the-art pollution control technology and practices. We have developed major recycling programs, including an innovative effort to recycle 85% of fly ash from the plant for use in concrete production—with the remaining 15% deposited in a state-of-the-art storage facility to be recycled at a later date. In addition, we collaborate with local officials to implement strict environmental training, education, compliance, monitoring, and reporting programs.

Our facility has operated for several years, so the FTA will not affect prices on the major components and equipment that were brought in for construction. That said, we import about $8 million in goods and services from Europe and about $2 million from the United States annually to operate and maintain the plant. Since goods and services purchased from the U.S. are subject to as much as a 42% customs duty, we anticipate that many of these will be procured more cheaply from the United States once the FTA comes into effect. This is especially true with regard to services, as the FTA includes specific coverage of energy services and Morocco's trade agreement with the EU does not—which gives an important advantage to U.S. energy and technical services companies.

To conclude, on behalf of both CMS Energy and the U.S.–Morocco FTA Coalition, I would like to urge swift Congressional approval of this important agreement. We recognize that it will be a challenge for the Congress to approve this agreement prior to the August recess. We nonetheless believe it can and should be done and urge you in the strongest possible terms to try to meet that challenge. It is an excellent agreement, it is good for the United States, it will advance the cause of economic progress, and it will help an important friend and ally in a key part of the world.

Thank you.

Mr. CRANE. Thank you. Mr. Belcaid?

STATEMENT OF JAMAL BELCAID, YASMINE ENTERPRISES, INC., DENVER, COLORADO

Mr. BELCAID. Chairman Thomas, Members of the Committee, thank you for allowing me to testify on behalf of the passage of the U.S.–Morocco FTA.

I am a small businessman, based in Colorado. My company, Yasmine Enterprises, has supported the concept of a FTA between the United States and Morocco from the beginning. We are a member of the U.S.–Morocco FTA Coalition and strongly support prompt passage of the U.S.–Morocco FTA this summer. The FTA will create greater trade and investment opportunities for businesses in both countries. It will also provide greater opportunity for American small businesses to participate in a marketplace that has long been dominated by European companies, as well as providing greater protection to investors.

The benefit of this FTA is illustrated by my current project in Morocco, a food can manufacturing plant in Agadir. The project will create 500 jobs in the United States and 200 jobs in Morocco. Indirectly, it will create 2,500 jobs in Morocco, which is in great need of finding employment opportunities for its population. The project is very strategic in that it will enable Morocco to be more competitive on an international level, particularly in the European marketplace, while utilizing U.S. technology and raw materials.

By far, the largest sector of the Moroccan economy is agriculture and fish, accounting for over 40 percent of the jobs in the country and 20 percent of Morocco's national income. Growth and prosperity for this sector have suffered from a shortage of high-quality food containers that are reasonably priced. Agribusiness is Morocco's largest and most important industry. In order for Morocco to expand its rate of economic growth and create jobs for low-skilled workers, it needs to increase the local processing of fruit, vegetable, and seafood products to expand its share of European and world markets for canned food, rather than exporting these products in raw form. The Moroccan processors of fish and vegetables need access to higher-quality and lower-priced canning.

Currently, Morocco imports approximately 400 million tin cans from Europe per year, the majority of which come from Spain. The presence of these imports and the willingness of local food processors to pay premium prices to obtain them reflects the poor quality, limited product range, and unresponsive and monopolistic nature of the existing can producers in Morocco. Moroccan food processors have already expressed a strong interest in the introduction of a new can plant that will eliminate the expense and delays of importing cans from Europe and create a domestic alternative to the obsolete and non-competitive existing can producers in Morocco.

To succeed, the plant does not need to take sales away from Morocco's existing domestic can producers. Instead, the plant only needs to replace imported cans from Europe and become the preferred source of high-quality cans. Local processing will increase, not only because of the new EU agreements, but also because the new can plant will make Moroccan food processors more competitive in international markets and thereby increase their demand for cans.

The project has very strong potential for steel exportation from the United States. It will also help other developing African countries and demonstrate the effectiveness of closer economic and trade ties with the United States. These countries have the potential to better exploit their own food production to the degree that, with high-quality canning, they can actually improve their exports and compete on the European market. This project is a transnational project that directly benefits a specific country. As you know, many multinationals are headquartered and produce in Europe. Their intention is to sell their products to developing countries. Our project will develop production within a country, allowing it to grow and develop its own strength to effectively compete with the world market.

I would like to stress one thing. Beyond the short-term benefits of the FTA, the long-term benefits will be extremely important to both countries, because economic stability will grow in Morocco, developing greater employment opportunities and creating overall social stability.

In conclusion, Mr. Chairman, this agreement is very beneficial to the United States, to the canning industry, to the steel industry, and to the small business. Yasmine Enterprises strongly supports and urges quick passage of the Morocco FTA, and I would be pleased to respond to any questions you or other Members of the Committee may have. Thanks.

[The statement of Mr. Belcaid follows:]

Statement of Jamal Belcaid, President, Yasmine Enterprises, Inc., Denver, Colorado

Chairman Thomas, Members of the Committee, thank you for allowing me to testify on behalf of the passage of the U.S.–Morocco Free Trade Agreement.

I am a small businessman, based in Denver, Colorado. My company, Yasmine Enterprises, has supported the concept of a Free Trade Agreement between the United States and Morocco from the beginning. We are a member of the U.S.–Morocco FTA Coalition and strongly support prompt passage of the U.S.–Morocco FTA this summer. The FTA will create greater trade and investment opportunities for business in both countries. It will also provide greater opportunity for American small businesses to participate in a marketplace that has long been dominated by European companies, as well as providing greater protection to investors.

The benefit of this Free Trade Agreement is illustrated by my current project in Morocco, a food can manufacturing plant in Agadir, Morocco. The project will create 500 jobs in the U.S. and 200 jobs in Morocco, directly. Indirectly, it will create 2,500 jobs in Morocco, which is in great need of finding employment opportunities for its population. The project is very strategic, in that it will enable Morocco to be more competitive on an international level, particularly in the European marketplace, while utilizing U.S. technology and raw materials.

By far, the largest sector of the Moroccan economy is agriculture and fish, accounting for over 40% of the jobs in the country and 20% of Morocco's national income. Growth and prosperity of this sector have suffered from a shortage of high quality food containers that are reasonably priced. Agribusiness is Morocco's largest and most important industry. In order for Morocco to expand its rate of economic growth and create jobs for low-skilled workers, it needs to increase the local processing of fruit, vegetable and seafood products to expand its share of European and world markets for canned food, rather than exporting these products in raw form. The Moroccan processors of fish and vegetables need access to higher quality and lower priced canning.

Currently, Morocco imports approximately 400 million tin cans from Europe per year, the majority of which come from Spain. The presence of these imports and the willingness of local food processors to pay premium prices to obtain them reflects the poor quality, limited product range, and unresponsive and monopolistic nature of the existing can producers in Morocco, many of whom are closely tied to European companies and financing. Moroccan food processors have already expressed a strong interest in the introduction of a new can-making plant that will eliminate the expense and delays of importing cans from Europe and create a domestic alternative to the obsolete and non-competitive existing can producers in Morocco.

The plant in Agadir will supply some 600 million cans per year, at peak production. Up to 50% of the output will go to the local off-takers who sponsor the project and hold an equity stake, while the remainder will be sold to other domestic food processors and exported to other North African countries, the Middle East and European Union.

To succeed, the plant does not need to take sales away from Morocco's existing domestic can producers. Instead, the plant only needs to replace imported cans from Europe, and become the preferred source of high quality cans. Local processing will increase, not only because of the new EU agreements, but also because the new can plant will make Moroccan food processors more competitive in international markets and thereby increase their demand for cans.

The project has very strong potential for steel exportation from the U.S. It will also help other developing African countries, and demonstrate the effectiveness of closer economic and trade ties with the U.S. These countries have the potential to better exploit their own food production to the degree, that with high quality canning, they can actually improve their exports and compete on the European market. This project is a trans-national project that directly benefits a specific country. As you know, many multinationals are headquartered and produce in Europe. Their intention is to sell their products to developing countries. Our project will develop production within a country, allowing it to grow and develop its own strength to effectively compete with the world market.

The plant will benefit from a U.S.–Morocco Free Trade Agreement because it will encourage the participation of high quality and highly competitive U.S. suppliers of equipment, raw materials, technology and services, as well as potential equity participation by U.S. venture capitalists. If the plant is constructed with U.S. involvement, total export potential for U.S. suppliers of goods and services could exceed $34 million to build and equip the plant. In addition, U.S. exports of tin plate and other raw materials and intermediate and replacement products consumed by the plant could easily exceed $25 million annually, meaning cumulative exports of over $150 million over a five year period, and $750 million over the useful life of the plant.

Goods and services coming into Morocco from the United States will be more competitive because of reduced tariff rates under the FTA. The agreement will also result in improved customs procedures and will establish a secure, predictable legal framework for U.S. investors.

All forms of investment will be protected under the FTA, and U.S. investors will enjoy in almost all cases the right to establish, acquire and operate investments in Morocco on an equal footing with Moroccan investors, and with investors of others countries. Basically, it assures that U.S. investors in Morocco receive all of the rights and protections that Moroccan or other foreign investors already receive in the United States.

I would like to stress one thing. Beyond the short-term benefits of the FTA, the long term benefits will be extremely important to both countries, because economic stability will grow in Morocco, developing greater employment opportunities and creating overall social stability. Obviously, the benefit to the U.S. is the growth in U.S. exports in a region that has not been engaged in active trade with the U.S. Arab countries receive only 1.2% of the world's direct investment. The U.S. should be aggressively involved to promote stability and prosperity in these countries.

In conclusion, Mr. Chairman, this agreement is very beneficial to the United States, the canning industry, the steel industry and small business. Yasmine Enterprises strongly supports and urges quick passage of the Morocco FTA. I would be pleased to respond to any questions you or other Members of the Committee may have.

Mr. CRANE. Thank you. Mr. Hamod?

STATEMENT OF DAVID HAMOD, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL U.S.–ARAB CHAMBER OF COMMERCE

Mr. HAMOD. Mr. Chairman and Members of this distinguished Committee, thank you for the opportunity to testify this morning. My name is David Hamod, and I serve as President and CEO of the National U.S.–Arab Chamber of Commerce.

Since its inception more than 35 years ago, our chamber has been the preeminent organization for fostering trade and investment between the United States and the Arab world. Our special relationship with American Chambers of Commerce and the national chambers of commerce in the 22 Arab nations places us in a unique position as a nexus between East and West. This morning, I will outline why our chamber believes that the U.S.–Morocco FTA is good for America and good for Morocco. I will also look at this agreement in the broader context of what it may mean for the Arab world as a whole.

First, creating jobs for Americans. From our perspective, this FTA will help to create a level playing field for U.S. businesses and workers that have traditionally been excluded from markets in Morocco and the region by America's European trade competitors.

Second, supporting reform in Morocco. Morocco is undergoing major economic reform, and the FTA is the centerpiece of this reform effort. For Moroccans, the FTA translates into opportunities for job creation in a nation whose 30 million citizens face double-digit unemployment, particularly among the youth. If it is true that "hope begins with a paycheck," then the U.S.–Morocco FTA promises to provide a way out of the hopelessness that can fuel extremism and breed terrorism.

Third, enhancing market access. In our view, the U.S.–Morocco FTA agreement "raises the bar" for trade and investment rules that enhance market access. This agreement is the best FTA market access package on industrial goods negotiated thus far with a developing nation.

Fourth, complying with labor laws. Morocco used the negotiation of the FTA to bring about a comprehensive new labor law that went into effect last month. Morocco's labor laws are based on ILO conventions, and they are consistent with TPA provisions on labor and the environment.

Mr. Chairman, I would like to use the balance of my time to look at how Congressional action on this FTA may be perceived elsewhere in the region. Simply put, if Congress supports the FTA, this will send a very positive signal about economic reform to the entire Arab world, thereby encouraging Arab nations to take the tough steps necessary to integrate their economies further into the global marketplace. If Congress fails to support this FTA, in our opinion, this will send precisely the opposite message, thereby emboldening those in the Arab world who would seek to diminish economic ties with the United States. At a time when America's political relations with the Arab world are experiencing considerable turbulence, U.S. economic relations with the Arab nations are enjoying remarkably smooth sailing.

There are a lot of reasons for this. One of the most important is that a new generation of business and government leaders in the Arab world is helping to drive the TIFAs and the FTAs forward using the FTA process as a catalyst to bring about long overdue economic reforms in their own nations.

Many of these leaders received their college educations in the United States. As a result of their early exposure to the United States, these former students from the Arab world have an affinity for our country, respect for American institutions, and an appreciation for the way we do business here in the United States. Today, through the FTA process, these very same individuals—ministers, leading businessmen and businesswomen, and advisors to heads of state—are now playing an instrumental role in helping to open markets in the Arab world. This will enhance bilateral investment with the United States, but at the same time encourage regional trade and investment throughout the Middle East.

United States policymakers question whether the "stick" or the "carrot" is the most effective way to bring about reform in the Arab world. In our chamber's experience, the "carrot" of open markets, greater transparency, job creation, and a higher quality of life is clearly winning the debate hands down. With this in mind, Mr. Chairman, the National U.S.–Arab Chamber of Commerce urges Congress to seize this historic opportunity and to move this agreement forward as soon as possible. Passage of this FTA is good for America, it is good for Morocco, and it will send the right signal about America's resolve to support economic reform throughout the Arab world. Thank you.

[The statement of Mr. Hamod follows:]

Statement of David Hamod, President and CEO, National U.S.–Arab Chamber of Commerce

Mr. Chairman and distinguished Members of the House Ways and Means Committee, thank you for the opportunity to testify this morning. My name is David Hamod, and I serve as President of the National U.S.–Arab Chamber of Commerce. I am here to provide testimony on behalf of our Chamber, a member of the U.S.–Morocco Free Trade Agreement Coalition.

Since its inception more than 35 years ago, the National U.S.–Arab Chamber of Commerce (NUSACC) has been the preeminent organization for fostering trade and investment between the USA and the Arab world. Most of our members are small and medium-sized U.S. companies that are exporting to the Middle East, and we have a special relationship with the American Chambers of Commerce (AmChams) in the region for purposes of promoting U.S. business interests.

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

This morning, I will outline why our Chamber believes that the U.S.–Morocco Free Trade Agreement (FTA) is good for America and good for Morocco. But I will also look at this agreement in the broader context of what it may mean for the Arab world as a whole and why, in our opinion, Congress should move this agreement forward as soon as possible this summer.

Creating Jobs For Americans

From our perspective, the U.S.–Morocco FTA will help to create a level playing field for U.S. businesses that have traditionally been excluded from markets in Morocco and the region. For years, America's trade competitors in Europe have been successful in erecting tariffs and non-tariff barriers in North Africa that discriminate against U.S. products and services, which currently account for only six percent of Morocco's total imports.

With this Committee's support for the FTA, the United States can beat back America's European competitors and the odds will no longer be stacked against U.S. companies and American workers when doing business with Morocco.

The recent report of the U.S. International Trade Commission (U.S. ITC) put it this way: "Trade liberalization is likely to increase the competitiveness of U.S. manufacturers and farmers in the Moroccan market not only relative to Moroccan producers, but also relative to other foreign suppliers such as the European Union—with which Morocco already has an FTA."

U.S. exports to Morocco are likely to increase by $740 million annually, according to the U.S. ITC, and tariff liberalization should provide benefits to U.S. consumers in the range of $110.5 to $131.6 million per year. ("U.S.–Morocco Free Trade Agreement: Potential Economywide and Selected Sectoral Effects," U.S. International Trade Commission, June 2004).

Supporting Reform In Morocco

Morocco has undertaken a process of reform that has affected every aspect of Moroccan life. The centerpiece of this reform effort is the FTA.

For Moroccans, the FTA translates into opportunities for job creation in a nation whose 30 million citizens face double digit unemployment, particularly among the youth. If it is true that "hope begins with a paycheck," then the U.S.–Morocco FTA promises to provide a way out of the hopelessness that can fuel extremism and breed terrorism.

In the words of H.E. Taib Fassi Fihri, Morocco's Minister Delegate for Foreign Affairs and Cooperation, "With this agreement, Morocco will gain a renewed incentive to complete the task of reform. The process of economic reform is never easy, but Morocco knows where the future is headed. Whatever the cost today, we know the longer-term payoff will be worth it."

Enhancing Market Access

In our view, the U.S.–Morocco FTA agreement "raises the bar" for trade and investment rules that benefit business and enhance market access. This agreement is the best FTA market access package on industrial goods negotiated to date with a developing nation. Passage of the FTA means that more than 95 percent of two-way trade in consumer and industrial goods will become duty-free immediately.

According to the Office of the U.S. Trade Representative (USTR), U.S. products entering Morocco face an average tariff of over 20 percent, while Moroccan products are subject to an average tariff of only 4 percent as they enter the United States. This disparity will change drastically with passage of the FTA.

With regard to market access, the U.S. ITC says that commitments made through the FTA and the World Trade Organization (WTO) will "commit the two parties to progressively eliminate duties on originating goods and to implement a wide array of customs procedures that would enhance trade. . . . The FTA would make the treatment of U.S. exports clear and simple."

Complying With Labor Laws

Important labor safeguards have been incorporated into this FTA. Morocco used the negotiation of the FTA, for example, to bring about a comprehensive new labor law that went into effect on June 8 of this year. This law raises the minimum employment age, reduces hours in the work week, increases the minimum wage by ten percent, guarantees rights of association and collective bargaining, and prohibits employers from taking actions against workers because they are union members.

Morocco's Constitution guarantees the right to strike, a right that Moroccans do not hesitate to exercise when the need arises, and that nation's labor laws are based on International Labor Organization (ILO) conventions. In this regard, the U.S.–Morocco FTA picks up where the U.S.–Jordan FTA leaves off, in the opinion of our Chamber, and Trade Promotional Authority (TPA) provisions on labor and the environment are an integral part of the U.S.–Morocco FTA.

Beyond Morocco: Implications For The Arab World

When it comes to free trade agreements with the United States, the Kingdom of Jordan may have been the trendsetter, but the Kingdom of Morocco is now the pacesetter. Nations throughout the Arab world are watching closely to see how the United States treats this North African ally and trading partner.

If Congress supports the FTA, as we believe it should, this will send a very positive signal about economic reform to the entire Arab world, thereby encouraging Arab nations to take the tough steps necessary to integrate their economies further into the global marketplace. If Congress *fails* to support the U.S.–Morocco FTA, in our opinion, this will send precisely the opposite signal, thereby emboldening those in the Arab world who seek to diminish economic ties with the United States.

At a time when America's *political* relations with the Arab world are experiencing considerable turbulence, U.S. *economic* relations with the Arab nations are enjoying remarkably smooth sailing. Nowhere has this been more obvious than in the case of negotiations over Trade and Investment Framework Agreements (TIFAs) and Free Trade Agreements (FTAs), and our Chamber wishes to recognize the outstanding work being done by Ambassador Robert Zoellick, Assistant USTR Catherine Novelli, and their team at the Office of the U.S. Trade Representative.

In the United States, the debate continues about whether the "stick" or the "carrot" is the most effective way to bring about reform in the Arab world. In our Chamber's experience, as the FTA process suggests, the "carrot" of open markets, greater transparency, job creation and a higher quality of life is clearly winning the debate hands down.

There are a lot of reasons why the FTA process has been so successful. One of the most important reasons is that a new generation of business and government leaders in the Arab world is helping to drive these Free Trade Agreements forward, using the FTA process as a catalyst to bring about long-overdue economic reforms in their own nations.

Many of these leaders received their college educations in the United States, so if U.S. policymakers ever wonder about why it is important to have Arab students live in the USA and attend U.S. universities, these policymakers should wonder no more. As a result of their early exposure to the United States, these former students from the Arab world have an affinity for the USA, respect for American institutions, and an appreciation for the way we do business here in the United States.

Today, through the FTA process, these very same individuals—ministers, leading businessmen and businesswomen, and advisors to heads of state—are now playing an instrumental role in helping to open markets in the Arab world. This will enhance bilateral trade and investment with the United States, to be sure, but over time, it will also encourage regional trade and investment throughout the Middle East.

* * *

Two hundred and seventeen years ago this month, in 1787, a young United States ratified a Treaty of Peace and Friendship with Morocco—now the oldest unbroken treaty in the history of America's foreign relations. In signing this agreement, our fledgling democracy sought "most favored Nation" status with Morocco, a regional "superpower" of its day, so that the United States could pursue unfettered trade and commercial opportunities.

Today, more than two centuries later, the United States has an opportunity to sign another groundbreaking agreement with Morocco that will enhance commercial relations between our two nations. The National U.S.–Arab Chamber of Commerce urges Congress to seize this historic opportunity and to move this agreement forward as soon as possible. Passage of this FTA is good for America, it's good for Morocco, and it will send the right signal about America's resolve to support economic reform in the rest of the Arab world.

Mr. CRANE. Thank you, Mr. Hamod. Ms. Carroll?

STATEMENT OF MELIKA CARROLL, TRADE POLICY DIRECTOR, INTEL CORPORATION, SANTA CLARA, CALIFORNIA

Ms. CARROLL. Thank you, Mr. Chairman, Members of the Committee. My name is Melika Carroll, and I am Trade Policy Director for Intel Corporation, headquartered in California. I am very pleased to be here with you today on behalf of the U.S. High-Tech Trade Coalition and the U.S.–Morocco Business Coalition.

Intel is the world's largest manufacturer of semiconductors. Our products serve as the electronic brains of personal computers, servers, mobile phones, network equipment, and many other products. Intel is an active member of the U.S. High-Tech Trade Coalition, which is comprised of the major tech industry associations and the thousands of companies they represent. The industry as a whole is a strong supporter of trade liberalization and is united in its support of the U.S.–Morocco FTA.

On average, 60 percent of the U.S. high-tech industry's revenues come from outside the U.S. market. Therefore, the completion of multilateral, regional, and bilateral agreements like the U.S.–Morocco FTA increases our access to foreign markets which are critical to our growth. High-tech deployment in Morocco is ahead of the curve compared to other countries in North Africa. The U.S. tech sector has enjoyed an ongoing trade surplus with Morocco over the last 3 years. In 2003, we exported nearly $100 million worth of goods to Morocco, an important market when compared to others in the region.

This FTA bolsters opportunities for U.S. technology in Morocco as well as in the region as a whole. This is critical, as the Middle East tech market is expected to be worth approximately $14 billion by 2006. The U.S.–Morocco FTA sets high-standard commitments in six policy areas that are particularly important to the tech industry's continued success.

First, Morocco joined the Information Technology Agreement as part of these negotiations. Consequently, most tariffs on U.S. high-tech goods were eliminated just this past April.

Second, it is essential that our trading partners establish the level of intellectual property protection that meets the challenges that are particular to a digital world. The U.S.–Morocco FTA adheres to the high standards of protection and enforcement of IPR set out in earlier multilateral and bilateral agreements. These commitments will also support the positive 10-year trend of decreasing piracy rates in Morocco.

Third, commitments on information technology services are critical as a vast array of new e-commerce and information services has been developed. This agreement has no reservations in the area of computer-related services, thereby ensuring full market access and national treatment for this important sector of our industry. The negative list approach also adopted here will ensure that rapidly evolving new computer services will be covered by these commitments contained in this agreement.

Fourth, the e-commerce commitments are also important. As software becomes increasingly distributed online, it is essential that software delivered electronically receive the same treatment under the trade laws as software traded on a physical medium. The e-commerce chapter in the U.S.–Morocco FTA maintains and clarifies the standard for trade in electronic commerce established under previous agreements, which should also help us continue to advance discussions on this issue in the WTO in the long term.

Fifth, the telecommunications services commitments also contain key provisions for our sector. In addition to the negative list approach for telecommunications services, the agreement also established the principle of technology neutrality to help ensure that foreign governments do not disadvantage American technologies to the benefits of others. This last principle is really critical to our industry.

Finally, our industry is concerned that as tariffs are eliminated, many countries may increase their use of technical regulations for high-tech products to protect their market or their industry. This FTA has built on the WTO's commitments on technical barriers to trade and establishes new requirements that can help ensure better justification for regulatory decisions as a result of increased transparency, opportunity for industry input, and accountability.

In conclusion, our industry believes that the positive role that trade liberalization has played in the development of markets for U.S. high-tech products should be maintained and expanded. The U.S.–Morocco FTA is an important step in reaching this objective. We commend the Administration and Congress for achieving such a high-standard agreement and strongly support congressional approval this summer. Thank you, Mr. Chairman.

[The statement of Ms. Carroll follows:]

Statement of Melika Carroll, Trade Policy Director, Intel Corporation, Santa Clara, California

My name is Melika Carroll and I am Trade Policy Director for Intel Corporation, headquartered in Santa Clara, California. I'm very pleased to be here with you today on behalf of the U.S. High-Tech Trade Coalition.

Intel is the world's largest manufacturer of semiconductors, with sales in 2003 of $30 billion. We employ approximately 79,000 people worldwide. About 60% of our employees are based in the United States, while over 70% of our revenues are generated outside North America. Our products serve as the electronic brains of personal computers, servers, mobile phones, network equipment and many other products.

Intel is an active member of the **U.S. High-Tech Trade Coalition** (HTTC), which is comprised of the major tech industry trade associations, and the thousands of companies they represent. The industry as a whole is a strong supporter of trade liberalization and is united in its support of the U.S.–Morocco Free Trade Agreement (FTA).

Members of the HTTC include: AeA, Association for Competitive Technology, Business Software Alliance, Computer & Communications Industry Association, Computer Systems Policy Project, Computing Technology Industry Association, Electronic Industries Alliance, Information Technology Association of America, Information Technology Industry Council, National Electrical Manufacturers Association, Semiconductor Industry Association Semiconductor Equipment & Materials International, Software & Information Industry Association and Telecommunications Industry Association.

Expanding High-Tech Trade and the U.S.–Morocco FTA

As one of the leading contributors to the U.S. balance of trade, U.S. high-tech contributed a trade surplus of $24.3 billion in 2002. As a leading engine of global economic growth, the industry contributed more than a trillion dollars to the global economy in 2002, according to a study conducted by IDC for the Business Software Alliance (BSA). In fact, in the U.S. alone, the IT industry contributed 2.6 million jobs and more than $400 billion to the U.S. economy, generating $342 billion in tax revenues in 2002.

On average, over 60% of the U.S. high-tech industry's revenues come from outside the U.S. market. Our industry's success clearly relies heavily on access to global and in particular emerging markets. The completion of bi-lateral, regional and multilateral agreements to increase our access to foreign markets is vital to our future.

To maintain the positive contributions of this industry to the U.S. economy, it is critical that FTAs: establish the highest standards of intellectual property protection; provide an open trading environment that promotes tariff-free high-tech products; facilitate barrier-free e-commerce and that promote the growth of computer and telecommunications services.

Past trade liberalization in the information and communications technology industries have benefited consumers and the U.S. economy alike. The acceleration since 1995 in quality improvements and price declines in many high-tech products coincides with three major WTO Agreements of direct relevance to the high-tech industry: the 1995 Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), the 1997 Information Technology Agreement and the 1997 Basic Telecommunications Agreement.

High-tech deployment in Morocco is ahead of the curve compared to other countries in North Africa. After the deregulation of telecommunication licenses we have seen significant improvements in high-tech deployment. There are millions of mobile users and broadband deployment is slowly improving. This growth in high-tech was also given a boost from Maroc Telecom's home computing initiative; a program which Intel has been part of, aimed at encouraging home PC adoption. Also, the Ministry of Commerce and Industry is working with our industry to develop programs to increase the deployment of technology in small and medium businesses.

The U.S.–Morocco FTA bolsters these opportunities for U.S. high-tech manufacturers and service providers. The U.S. high-tech sector has enjoyed a trade surplus with Morocco in each of the last three years. In 2003 the U.S. high-tech sector exported nearly $100 million in goods to Morocco, an important market when compared to another country in the region like Tunisia where U.S. technology exports reached $10 million in 2003.

With a population of approximately 300 million, the Middle East region is one of the fastest growing emerging markets and has become a key focus area for Intel. According to IDC data, the high-tech market is estimated to be worth approximately $14 billion by 2006.[1]

As the importance of the Middle East market grows, the U.S.–Morocco FTA sets strong precedents that will buttress our industries' growth. We commend the Administration and Congress for this achievement and for realizing the important objectives outlined in the Trade Promotion Authority legislation. Without the leadership provided by Ambassador Zoellick and his team and Congress' thoughtful guidance, these achievements would not have been possible.

[1] http://www.idc.com/.

Tariff Measures in the U.S.–Morocco FTA

The Uruguay Round agreements on tariff reduction, and the subsequent Information Technology Agreement (ITA) within the WTO, have made significant contributions to the elimination of most tariffs in our sector. However, tariffs on high-tech products are still very high in countries that have not joined the ITA, creating a substantial impediment to trade.

Fortunately, Morocco agreed to join the ITA as part of these negotiations. Most tariffs on U.S. high-tech manufactured goods included in the ITA were therefore eliminated in April 2004.[2] Tariffs on most computer components and products in Morocco previously ranged between 2.5% and 10%, which can have a significant negative impact on product sale costs. Due to the highly competitive nature of our industry, combined with very short product life cycles, margins can be severely impacted by any additional costs such as these duties. Also, when duties are imposed on separate components, as they were in Morocco, the multiplier effect of the duty on each component could have had an even greater impact on the overall cost of the final product.

In order to foster a barrier free trade environment, it is critical that our trading partners sign and implement the ITA or its equivalent. Morocco's agreement to join the ITA improves our industry's access to this growing market and sets an important example for emerging markets that still have not joined this agreement.

Intellectual Property (IP) Provisions in the U.S.–Morocco FTA

For the high-tech industry, strong intellectual property protection is essential to foster continued innovation and investment. This is particularly important as copyright infringements and software piracy cost the high-tech industry $13 billion in lost revenues in 2002.

Morocco had a 58% piracy rate in 2002 according to the Business Software Alliance. We are encouraged by the reduction in this rate over the last decade, with Morocco's piracy rate falling from 82% in 1994. We also are encouraged by the significant progress made in the Middle East/Africa region to reduce software piracy. This region's piracy rate improved more than any other in the world, with the regional piracy rate falling from 80% in 1994 to 49% in 2002. The intellectual property protections afforded by this FTA will continue this positive trend of decreasing piracy in Morocco, and they will serve as important precedents to continue to cut piracy throughout the region.

To promote the development of a strong IT sector, it is essential that our trading partners establish the level of copyright protection that meets the challenges of a digital world. They must not merely comply with the WTO Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS), but also comply with the World Intellectual Property Organization (WIPO) Copyright Treaty (WCT). Moreover, it is essential that our trading partners fully implement and enforce these obligations.

The Administration has set the pattern for such levels of protection in the U.S.–Singapore and U.S.–Australia FTAs, and the U.S.–Morocco FTA follows in that pattern. The U.S.–Morocco FTA adheres to the high standards of protection and enforcement for copyrights and other intellectual property set out in those earlier agreements.

The agreement recognizes the importance of strong intellectual property rights protections in a digital trade environment by building on the obligations in the TRIPS Agreement, and ensures that works made available in digital form receive commensurate protection by incorporating the obligations set out in the WIPO Copyright Treaty.

Some of the highlights of the agreement include:

- Provisions to promote strong intellectual property rights protection and foster electronic commerce by maintaining the balance reflected in the U.S. Digital Millennium Copyright Act. Copyright law is clarified to permit the exploitation of works and effective enforcement of rights in the online environment, while remedies against Internet service providers are limited for infringements they do not control, initiate or direct.
- Requirements to establish prohibitions against the circumvention of effective technological protection measures employed by copyright owners to protect their works against unauthorized access or use, coupled with the ability to fashion

[2] Morocco has requested staging on 5 products; however those tariffs will be eliminated by 2010.

appropriate limitations on such prohibitions, again consistent with those set out in the Digital Millennium Copyright Act.

- Provides for the application of the reproduction right of a copyright owner to temporary as well as permanent copies.
- Recognizes that robust substantive standards for the protection of intellectual property must be coupled with obligations providing for the effective enforcement of rights, in both civil and criminal contexts in order to be meaningful. In this regard, key provisions of the agreement provides for the establishment of statutory damages at levels appropriate to deter further infringement, strong criminal penalties against the most pervasive form of software piracy—corporate and enterprise end user piracy; and strong border measures to combat cross-border trade in infringing goods. The authority to increase damages up to treble the amount of the injury assessed in a patent infringement case is particularly useful given the greater difficulty of proving infringement in these complicated cases and potential significant negative impact on the patent owner's ability to recuperate developmental costs.
- Obliges governments to lead by example by using only legitimate and licensed software.

Information Technology Services in the U.S.–Morocco FTA

During the past decade, a vast array of new e-commerce and information technology services have been developed including data storage and management, web hosting, and software implementation services. Given the increasing trend for technology users to purchase information technology solutions as a combination of goods and services, full liberalization in this area is more important than ever.

In this agreement, both parties agreed to provide full market access and national treatment on services. The agreement adopted a negative list approach, which means that new services will be covered under the agreement unless specific reservations were made in the agreement. Specifically, this agreement has no reservations in the area of computer and related services, thereby ensuring full market access and national treatment for this important sector in the U.S. high-tech industry. Between the services chapter and the investment chapter, the agreement covers all modes of delivery, including electronic delivery, such as via the Internet. The negative list approach also ensures that rapidly evolving new computer services, driven by continual advances in technology, will be covered by commitments contained in the agreement. Without such an approach, computer and related services definitions and commitments quickly could become obsolete as new services are introduced.

We commend this approach and the fact that liberalization of high-tech services was agreed to without any commercially significant reservations. This will lead to the promotion of barrier free-trade in services with Morocco.

E-Commerce in the U.S.–Morocco FTA

With millions of people using the Internet worldwide, the promotion of barrier-free cross-border e-commerce is critical in encouraging continued e-commerce growth and development. In fact, the trade treatment of software delivered electronically is one of the most important issues facing the software industry, and it is essential that software delivered electronically receive the same treatment under the trade laws as software traded on a physical medium.

We are quickly moving to a world where online distribution is the predominant way software is acquired and used. According to a BSA CEO study, by 2005, 66% of all software is expected to be distributed online. This will create enormous efficiencies as the newest, most up-to-date software is delivered across borders at a lower cost and more quickly than when delivered in a physical form, to the benefiting of both customers and software developers.

The e-commerce chapter in the U.S.–Morocco FTA maintains and slightly expands the standards for trade in electronic commerce established under previous agreements. As with previous agreements, the U.S.–Morocco FTA includes the concept of "digital products"; prevents the application of customs duties on electronically delivered digital products; assures the non-discriminatory treatment of digital products delivered physically or electronically; addresses the valuation of physically delivered digital products; and provides commitments to cooperate on electronic commerce policy. The agreement includes broad national treatment and most favored nation (MFN) provisions which are further expanded in a footnote clarifying coverage in additional instances. In short, the FTA contains important long-standing electronic commerce principles identified by U.S. industry. There are no reservations taken specifically in the area of e-commerce.

This sets important positive precedents for future negotiations on e-commerce in the context of the Doha Development Agenda negotiations. Through this and other recent agreements, the U.S. has developed a method for addressing trade in digital products which should advance discussions in the WTO in the long term.

Telecommunication Services in the U.S.–Morocco FTA

Chapter 13 of the agreement contains a number of provisions that will benefit the telecommunications industry. The FTA ensures access to and use of public telecommunications networks and services on a non-discriminatory basis. The non-discriminatory treatment is important, and it is a concept that we wholeheartedly support.

Also notable is the fact that the FTA uses a negative list approach for telecommunications services. As with information technology services, the principles of market access, transparency and non-discrimination for telecom will be reinforced as a result of this negative list approach.

The provisions ensuring that each party's telecommunications regulatory body is separate from, not accountable to, and does not hold a financial interest in or maintain a separate operating role in any supplier of public telecommunications services are also very important. We believe that the affirmation of this concept is absolutely critical to ensuring fairness, impartiality and regulatory integrity in each participating country's telecommunications sector, and we encourage the Moroccan regulatory authority to eliminate all financial and/or other ownership interests in its major supplier of public telecom services as soon as possible.

Furthermore, we support the inclusion of a binding commitment in the FTA establishing the principle of flexibility in the choice of technologies in the communications sector. The goal of this provision is to ensure that foreign governments do not disadvantage American companies by mandating the use of certain technologies while excluding others. However, the language regarding technical specifications and national frequency tables is different from similar technology-choice language in other already-negotiated FTAs and could create regulatory uncertainty for our sector.

The principle of technology neutrality is critical in fostering competition among technologies, which has become a standard negotiating objective in all recent FTAs, and industry strongly supports this. Industry believes the technology choice provision in the CAFTA is a better formulation, and looks forward to working with USTR to improve upon the CAFTA model in negotiating future FTAs, such as with Thailand and the Andean countries.

Technical Barriers to Trade in the U.S.–Morocco FTA

Finally, the agreement contains important commitments in the areas of technical barriers to trade and transparency.

Since the early-1990s, many foreign governments have increased their use of technical regulations, including standards implemented through regulations, which can significantly impact the cost and design of high-tech products. Certain countries and/or regions have been particularly aggressive in this respect, focusing on product regulation in areas of environment, health, and safety (EHS). However, in some cases, these product regulations also have also been expanded to a variety of new areas (e.g.: privacy, security, and low-frequency emissions requirements). Apart from general concerns about the promulgation of these regulations, our major concern is that as tariff barriers diminish, an increasing number of countries may replicate this "regulatory" approach to high-tech products to protect their markets or industry. Such regulations have a significant impact on the high-tech industry because (a) they are costly and limit innovation, and (b) regulations generally are unable to keep the pace with the rapid technology advances, which may hamper product time to market and (c) most importantly, they may ultimately result in market access barriers.

The FTA has built on the existing World Trade Organization Agreement on Technical Barriers to Trade commitments (WTO TBT Agreement) that will help ensure greater transparency in the regulatory process. In particular, new and more detailed provisions (such as a 60 day comment period for all interested parties) ensure meaningful public participation in the development of standards, technical regulations and conformity assessment procedures. There are also new requirements for transparency that require government responses to significant comments by interested parties be made available to the public, thereby ensuring better justification for regulatory decisions as a result of increased accountability.

Conclusion

In conclusion, the U.S.–Morocco FTA sets new benchmarks in progress toward the promotion of strong intellectual property rights protection, full liberalization of trade in information technology services and barrier-free e-commerce as well as increased regulatory transparency and tariff elimination among our trading partners. In this agreement, new baselines have been set that should lead to significant market opportunities for the U.S. high-tech industry in the years ahead. We commend the achievements made in the agreement and we strongly support Congressional approval of this agreement.

The positive role that trade liberalization has played in the development and growth of markets for U.S. high-tech products should be maintained and expanded and the FTA is an important step in achieving this objective. We commend the achievements made in the agreement and strongly support Congressional approval.

Thank you for the opportunity to appear before you today.

Mr. CRANE. Thank you, Ms. Carroll. Mr. Taliaferro?

STATEMENT OF DAVID TALIAFERRO, FARMER, LANEVIEW, VIRGINIA, ON BEHALF OF THE WHEAT EXPORT TRADE EDUCATION COMMITTEE, THE NATIONAL ASSOCIATION OF WHEAT GROWERS, AND THE U.S. WHEAT ASSOCIATES

Mr. TALIAFERRO. Thank you, Mr. Chairman and Members of the Committee. Thomas Jefferson once wrote, "Those who labor in the earth are the chosen people of God, if He ever had a chosen people, whose breasts He has made his peculiar deposit for substantial and genuine virtue." I stand before you today as one of God's chosen people, humble yet full of virtue.

My name is David Taliaferro. My brothers and I farm in eastern Virginia along the Rappahanock River. Our operation is just 100 miles south of Washington. We raise corn, wheat, soybeans, and barley on approximately 4,000 acres. We also export food-grade soybeans to Japan and Korea.

I am speaking on behalf of the Wheat Farmers of America who are ably represented in Washington by the Wheat Export Trade Education Committee, the National Association of Wheat Growers, and U.S. Wheat Associates. I am here to support the implementation of the United States–Morocco FTA. Strong exports of wheat and other grains are vital to our farm economy.

First, 96 percent of the world's consumers live beyond our borders. Second, we export consistently nearly 50 percent of our wheat production. All opportunities for expanding our exports need to be vigorously pursued. This is why I am here today. Bilateral agreements are important interim measures as we pursue the objective of free and fair world trade of wheat in the FTAA and the WTO negotiations.

Let me compliment the USTRs office and the United States Department of Agriculture for keeping wheat on the negotiating table. I understand that this was no easy task. We believe that no commodity should be exempted, and this would make future negotiations with other countries much more difficult. Our most serious competitor in the Moroccan market is the EU. With France's colonial ties, the EU's export subsidies, and the Moroccan import duty structure, we are clearly disadvantaged. Morocco has a GATT-bound tariff rate of well over 100 percent for durum and other wheat classes which could be imposed at any time. It is designed to favor the importation of higher-quality wheat but is flawed by reference prices obscured by the lack of pricing transparency.

The negotiated agreement addresses the increasingly sophisticated and diverse wheat sector in Morocco, and we understand the effect that a modified tariff rate structure would have on the domestic wheat industry there, and we are sensitive to the possible need for a fair and effective farmer compensation program. Now, when this agreement is implemented, the in-quota tariffs for durum will go to zero over 10 years. Initially, the level is set at 250,000 metric tons, rising by 10,000 tons each year. Unfortunately, the out-of-quota tariff will remain under most favored nation treatment and will not go to zero.

We are disappointed that for other wheat classes the tariffs will continue. There is a favorable provision for eventual reduction which comes into play January 1st of the first year of the signed agreement. The in-tariff quotas are well within the current import levels. Growth in this volume is dependent on Moroccan domestic production, and we do sense that there is some potential for us here as well. The Moroccans have insisted upon protecting their industry through a seasonal provision that the negotiated quota would not apply during their wheat harvest in June and July. I do not expect this to be a problem.

Regarding the issue of state trading enterprises, Morocco has agreed to work with the United States in the WTO negotiations to eliminate restrictions on the right to export, to eliminate the special financing granted to STEs that export for sale a significant share of their agriculture products, and to ensure greater transparency regarding the operation and maintenance of export state trading enterprises. Hopefully the Administration will secure these provisions in all future agreements. Finally, a most important element of the agreement is the clause guaranteeing preferential treatment. If Morocco provides any other trading partner better treatment for a product, then that same treatment shall be applied to the like U.S. product. In this way, we can compete fairly with our competitors.

I would like to restate the appreciation that our wheat farmers have for the job done by our negotiators. I might add as well that the United States needs to project a positive image in that part of the world, and trade is the best way to do it. I urge the Congress to implement this agreement as soon as possible, and thank you for letting me come today.

[The statement of Mr. Taliaferro follows:]

Statement of David Taliaferro, Farmer, Laneview, Virginia, on behalf of the Wheat Export Trade Education Committee, the National Association of Wheat Growers, and the U.S. Wheat Associates

Good morning Chairman Thomas and Members of the Committee. My name is David Taliaferro and I farm in eastern Virginia, approximately 100 miles south of Washington, D.C. I raise wheat, corn, soybeans and barley. My brothers and I also export food quality soybeans to Japan.

I appreciate this opportunity to speak to you on behalf of the Wheat Export Trade Education Committee, representing the wheat industry on trade policy issues; the National Association of Wheat Growers, the organization responsible for domestic policy and farm programs; and for U.S. Wheat Associates, the industry's foreign market development and promotion organization.

Let me begin by highlighting two points that wheat producers in the United States take into account when looking at export trade opportunities. First, 96 percent of the world's consumers live beyond our border. The four percent within the United States do not consume enough wheat to sustain a viable wheat industry.

Second, we consistently export nearly 50 percent of our total production. As you can imagine, our success or failure hinges on the ability of U.S. wheat to be exported around the world. Trade is a vital component for ensuring the financial viability of U.S. wheat farmers. All trade agreements, bilaterals such as the Moroccan Free Trade Agreement (FTA), and negotiations for the Free Trade Area of the Americas (FTAA) and in the World Trade Organization (WTO), must offer unique potential for expanding market opportunities for American wheat growers.

The U.S. wheat industry strongly supports moving forward aggressively in Free Trade Agreements and in the World Trade Organization and Free Trade Area of the Americas negotiations. The WTO process is important for liberalizing world wheat trade, and the U.S. wheat industry is clearly focused on achieving our goals in this round of negotiations. However, the FTAA negotiations have the potential to extend beyond the level of liberalization achieved in the WTO and the U.S. must be prepared to take full advantage of this opportunity. As these two negotiations have not moved forward as smoothly or as quickly as we would have liked, the wheat industry views the Administration's efforts to open markets bilaterally, through FTAs, as the logical alternative. The FTAs should be seen as critical stepping-stones to free and fair trade on a worldwide scale. As part of this process the U.S. wheat industry strongly supports the U.S.–Morocco Free Trade Agreement (FTA) and urges its prompt passage by Congress before the summer recess.

Before going into the details of the agreement, let me highlight the importance of the agreement achieved for wheat. First, without the strong determination of our U.S. negotiators from both the U.S. Trade Representative's Office and the Department of Agriculture, Morocco would have taken wheat off of the negotiating table. We firmly believe that no commodity should be exempted from any FTA negotiations. We all know that once a commodity is allowed to be taken off the table other countries will demand the same right for what they would define as sensitive products. Not only was keeping wheat in the negotiations a win for the U.S. negotiators, but I also believe that wheat posed the most difficult set of hurdles to overcome in this negotiation. We applaud the negotiators for the long hard battle they successfully fought on behalf of the U.S. wheat industry. Keeping wheat on the table and achieving a very positive outcome for our growers was not an easy task.

In the Moroccan wheat market, the United States has been handicapped by close proximity to and old colonial ties with Europe—especially France. The European Union's export subsidies and the Moroccan import duty structure also put U.S. wheat at a disadvantage vis-à-vis other origins. Morocco has a GATT bound tariff rate of well over 100 percent for durum and other wheat that they could impose at any time.

The current import duty is designed to promote the importation of the higher quality wheat necessary to meet Morocco's evolving industry needs, but it is flawed because it is based on a series of reference prices which are further handicapped by a worldwide lack of pricing transparency.

The FTA addressed the need to reflect the demands of an increasingly sophisticated and diverse wheat sector in Morocco. First of all, we acknowledged that any modification of the current duty structure could create major political, strategic and social problems. We also acknowledged the overwhelming challenge to implement a fair and effective farmer compensation program, particularly given the highly fragmented nature of land tenure and use in Morocco.

Once the FTA is in place we will have very positive changes for U.S. wheat. The in-quota tariffs on durum wheat will go to zero. Unfortunately, these will take 10 years to phase out. U.S. durum does not, as a rule, compete with Moroccan produced durum. However, it is beneficial that the initial in-quota tariff for durum has been set at a level (250,000 metric tons) that is compatible with current market levels, and is set to grow by 10,000 metric tons a year thereafter. Unfortunately, the out of quota tariff on durum will remain under Most Favored Nation (MFN) treatment and is not scheduled to go to zero.

We are disappointed that for all wheat other than durum, tariffs will continue under this agreement. However, there is a favorable provision to lower the tariffs. If the prevailing MFN rate is equal to the base rate, the reduction will be 62 percent of the base rate, and the reduction of an additional .275 percent of the MFN rate for every percentage point difference between the base and the MFN rate. These reductions enter into force on January 1 of the first year of the signed agreement.

In-tariff quotas for common (non durum) wheat under the agreement are well within the current import levels. Growth in the in-quota volume is contingent upon domestic Moroccan production. Thus, Moroccan producers are protected at two levels, one at 3 million metric tons of production and at domestic production being less than 2.1 million metric tons. However, there is a generous growth potential for common wheat regardless of domestic production.

The Moroccans also insisted on greater protections for their industry through what are known as seasonality provisions. During the months of June and July with the possibility to be extended through August, the Moroccan harvest season, the negotiated quota would not apply.

For durum wheat there is a clause that would suspend the quota according to market conditions and the preference clause would apply.

The wheat agreement also involves a complicated auction system on TRQs that is somewhat equivalent to the one Morocco structured with the EU. In the fourth year of the agreement, the U.S. and Morocco will review the auction system to decide whether to continue it or offer wheat quota access on a first come, first served basis.

Tariff rate quotas (TRQs) were also established for all durum and common wheat products. While the TRQs may serve as a protection for Moroccan millers and bakers, they also serve to provide quantified levels of imports for these products.

We are also extremely pleased that the negotiators secured a commitment on State Trading Enterprises. Morocco has committed to work with the U.S. in the WTO negotiations to:

1. Eliminate restrictions on the right to export;
2. Eliminate the special financing granted to state trading enterprises that export for sale, directly or indirectly, a significant share of their country's exports of an agricultural export; and
3. Ensure greater transparency regarding the operation and maintenance of export state trading enterprises.

We have asked the Administration to secure this commitment in all future FTAs, both those currently under negotiation and ones yet to be initiated.

The final and maybe the most important element of the agreement, especially since we will not go to zero tariffs on non-durum wheat, is the clause guaranteeing preferential treatment. A preference provision that is beneficial to U.S. suppliers for all products is included in the agreement. It guarantees that if Morocco provides any other trading partner better treatment for any product, Morocco must immediately provide the same treatment to the like U.S. product. (Thus Canada can not negotiate an agreement that would put our growers at a disadvantage in this market.)

The U.S. wheat industry applauds our negotiators for their hard work and tenacity to reach this agreement for wheat. We strongly support the agreement and urge Congress to pass it before the summer recess.

Thank you for the opportunity to present the views of the U.S. wheat industry on this important agreement.

Mr. CRANE. Thank you, Mr. Taliaferro. Mr. Levin?

Mr. LEVIN. Thank you, Mr. Crane. I do not have any questions, but if I might just say a special hello to David Mengebier—we have known each other for some years—and to thank you, Mr. Hamod, for your communication of last week, and to thank all of you for your testimony. I think it is interesting testimony that covers not all of the issues in this FTA but a lot of them. So, thank you for coming, and we will make sure that your testimony is well distributed. Thank you.

Mr. CRANE. Thank you. Mr. English?

Mr. ENGLISH. Thank you, Mr. Chairman.

Ms. Carroll, the U.S.–Morocco FTA clearly sets a high standard in many areas of 21st century global trade. Some, for example, have said that the intellectual property rights provisions alone are the best that have ever been negotiated for a U.S. FTA with a developed or developing country. Do you agree with that assessment? Do you feel that the provisions in this agreement have the potential to be a model for future FTAs in the area of intellectual property?

Ms. CARROLL. Thank you. Yes, the tech industry does believe that the intellectual property commitments in this FTA are very good indeed, although we do think that this should be an important model for future FTAs. There are particular entities in every country that we negotiate with, or region, but, in general, the provisions for this agreement from our industry's perspective are excellent.

Mr. ENGLISH. Thank you. Mr. Hamod, in your testimony you state that Moroccans do not hesitate to exercise their constitutional right to strike. You have heard here some questions raised about the extent of that right to strike. Can you please give us an example of an occasion when Moroccans have been able to strike?

Mr. HAMOD. Mr. English, I do not profess to be an expert on ILO and the labor laws in Morocco, but I have had the pleasure and the opportunity to hear from numerous delegations of Moroccans in recent weeks who have come through Washington and told us how important it is to them to have that opportunity to strike when necessary. They feel that it is free and fair when the opportunity presents itself and that this agreement will support their efforts.

Mr. ENGLISH. How does this agreement embrace reforms that have already been made in Morocco and further encourage additional and ongoing reforms in the future?

Mr. HAMOD. My own sense is that this helps to consolidate some of the reforms that have taken place to date, and the United States is in a unique position to support Morocco in such areas as transparency to promote better business practices. Frankly, given a choice between learning those from the United States and, say, learning corporate governance from the French, I would rather that they learn it from us.

Mr. ENGLISH. That is well said. Mr. Belcaid, it is a privilege to see you again, and as co-Chairman of the Morocco Caucus and Chairman of the Congressional Steel Caucus, I have a particular interest in your testimony. Aside from the possibility of increasing steel exports from the United States to Morocco and creating hundreds of new jobs in both countries, your testimony illustrates the dynamic and complementary nature of our two countries' economies. Given the preferential trade agreement in place between Morocco and the EU, I wonder if you could elaborate on why this agreement is critical to your efforts to involve U.S. producers to make this initiative work.

Mr. BELCAID. I was in Morocco in April, and I met with the industry, the canning industry, the people that buy cans and process food. They import a lot of cans from Europe, and right now with the euro high, they are struggling and they want the project to go through and to have a plant near them to supply them. I think with this FTA, we will provide greater benefit for the project to this industry.

Mr. ENGLISH. Mr. Chairman, I would like to thank the panelists. They have provided a very broad perspective on the benefits of a Moroccan FTA, and with that, I yield back the balance of my time.

Mr. CRANE. Thank you, Mr. English. I, too, want to express appreciation to all of the panelists for your participation, but ask you if you will be so kind as to stay in constant communication with us. With that, the hearing stands adjourned.

[Whereupon, at 11:58 a.m., the hearing was adjourned.]

[Submission for the record follows:]

Statement of Dee Vaughan, National Corn Growers Association

Chairman Thomas, Ranking Member Rangel and Members of the Committee. We would like to thank the Committee for giving us the opportunity to submit a statement regarding the U.S.–Morocco and U.S.–Australia Free Trade Agreements.

The National Corn Growers Association (NCGA) was founded in 1957 and represents more than 33,000 dues-paying corn growers from 48 states. The Association also represents the interests of more than 350,000 farmers who contribute to corn checkoff programs in 19 states.

NCGA's mission is to create and increase opportunities for corn growers in a changing world and to enhance corn's profitability and use. Trade is vital to the future of corn growers as we search for new markets and provide grain that is more abundant and of better quality.

The National Corn Growers Association and sister organization, the U.S. Grains Council, support the Morocco Free Trade Agreement (FTA). Along with the Central America Free Trade Agreement (CAFTA), the Morocco FTA will provide new opportunities and an expanding market for U.S. feed grains. More so than any time in the past, corn producers operate in a competitive international marketplace. For this reason, free trade agreements have never been more essential to the future success of our industry.

The feed grains industry has been active in building markets in Morocco and the sector is already benefiting from strong economic ties between the two countries. Morocco is primarily a bulk commodity market with corn being the largest component of that trade.

In 2002, Morocco imported 1.1 million metric tons of corn, 63 percent originating from the United States. However in 2003, U.S. market share declined to about ten percent due to increased competition from Argentina, Brazil and Eastern Europe. This decline was only a temporary phenomenon due to abundant world grain stocks in 2002. The world grain situation in 2002 saw abnormally high feed wheat and corn stocks being exported from Eastern Europe and ongoing economic turmoil in Argentina.

Fortunately, U.S. market share is returning to normal in 2003 and 2004 as feed grain stocks have returned to their normal levels. In 2003, Morocco imported 330,819 metric tons of U.S. corn, making it the 17th largest market for U.S. corn exports. The U.S. Grains Council projects this market will continue to grow over the next ten years, with additional demand for feed grains of 1.2 million metric tons by the year 2011.

Driving Morocco's feed grain demand is poultry production, the fastest growing meat production sector in Morocco. In 2003, total broiler production was 245,000 metric tons (plus 12,000 metric tons from spent laying hens and breeders and 50,000 from backyard chicken production) and total egg production was 2.35 billion (plus 800 million eggs from backyard production). Per capita consumption of eggs is 105 per year and poultry meat is 10.2 kilograms. During 2003, the poultry sector consumed approximately 825,000 metric tons of corn. There is further room for growth in the poultry sector, as the cost of producing chicken meat in Morocco is one of the highest when compared to other middle-income countries. In addition, corn is no longer seen as a viable crop for production in Morocco due to the large amounts of water it consumes and the fact that domestically produced corn is extremely expensive compared to international prices.

Morocco's beef sector has remained stagnant over the past twelve years, with an annual production level of 150,000 metric tons of beef. Production levels of red meat would have to increase to 512,000 metric tons by the year 2020 to keep up with population growth, given the per capita consumption of 4.3 kilos per year. This level of production can only take place through intensive feeding of a larger number of animals with access to low cost feed grains.

Although Morocco represents a valuable market to U.S. corn growers, high tariffs remain a significant barrier to U.S. exports. The current tariff system in place operates much like a variable levy—when the world price goes up, the overall percentage charged on the value of the corn shipment goes down; and when the world price goes down, the percentage goes up. For example, if a shipment of U.S. corn is valued at $150 CIF, the first $80 is assessed an *ad valorem* tariff of 35 percent, while the other $70 for the amount above $80 is assessed a duty of 2.5 percent. This gives little incentive for importers to seek the best world price or the most optimal combination of feed ingredients.

The Morocco FTA cuts the tariff on U.S. corn initially in half (to 17.5 percent for lower value per ton shipments based on its reference price system), and then proceeds to zero by year six based on linear reductions. This provides a significant advantage to U.S. exporters and could potentially allow them to capture near 100 percent of the Moroccan market. The duty-free corn would save the Moroccan poultry and livestock industries approximately $30 million per year based on current imports and applied duties.

The reduction and elimination of tariffs on U.S. feed grains will benefit corn growers upon implementation and in the future. The reduction in tariffs will provide lower feed costs to the Moroccan poultry and livestock industries which will allow further overall expansion of the Moroccan market for feed grains. In addition, the lower tariffs applied to U.S. feed grains versus the most favored nation (MFN) rates that competitor countries will continue to face will allow the United States to capture a larger portion of that important growth market.

The future strength of the agricultural economy in the United States will depend on expanding trade opportunities like those in Morocco. At the same time we need to continue educating farmers across the country on the benefits of trade. Sometimes it is hard to articulate the importance when most farmers never see their grain again once it leaves the elevator and is transported by barge or train. We must do a better job communicating with our grassroots, but we need the Congress and Administration to negotiate and enforce trade agreements that allow farmers to participate on a level playing field in the international marketplace.

The National Corn Growers Association remains committed to an aggressive trade agenda and bilateral free trade negotiations. We urge the Committee to approve the Morocco FTA as soon as possible and we look forward working with you on this and other issues of importance. Mr. Chairman, we appreciate the opportunity to comment and please do not hesitate to contact us if we can be of assistance in any way.