



**National U.S.-Arab Chamber of Commerce**

**United States - Morocco Free Trade Agreement**

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Testimony Submitted by  
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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 & 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.

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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.