

Witness Statement
The U.S. – Morocco Free Trade Agreement
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Introduction

Mr. Chairman, members of the Committee, I am grateful for the opportunity to testify regarding the United States-Morocco Free Trade Agreement (FTA).

At the outset I would like to say that I am here representing both my company, CMS Energy, and the US-Morocco Free Trade Agreement Coalition. The Coalition is comprised of nearly 100 companies and associations, all of whom support Congressional approval of the FTA. CMS Energy is honored to serve as the corporate co-chair of this organization along with Time Warner – also represented on the panel here today – and to be joined in the leadership of this endeavor with 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. We believe 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 both the United States and Morocco. It will serve as an important building block in the proposed Middle East Free Trade Area. This agreement will deepen U.S. ties with a country that was recently designated a major non-NATO ally of the United States and is a steadfast partner in the war against terror. The FTA is a new milestone in America's historic relationship with Morocco – which was the first country to recognize the fledgling U.S. republic after our independence over 200 years ago and is a counterpart 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 that describes the positive features of the FTA in greater detail, and a list of the entire Coalition membership.

CMS Energy in Morocco

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, CMS operates and is a 50% owner of the Jorf Lasfar power plant, located in the province of El Jadida on the Atlantic Coast. At 1,356 megawatts and with a project value of approximately \$1.3 billion, Jorf Lasfar is the largest independent power project on the continent of Africa and supplies approximately 60% of Morocco's daily demand for electricity.

At various times in its history, CMS has had investments or operations in as many as 22 countries. For such investments to succeed, they must be based on partnerships with host country authorities and stakeholders that entail collaboration, trust and common vision. By these standards, our experience in Morocco – where we are the largest American investor – has been outstanding. The investment climate is hospitable and the operating environment stable. 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 establish ourselves as good corporate citizens and as partners in Morocco's growth and development. In practical terms, this means we have gone above and 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. Our 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, including arranging several auto-related missions to Michigan. We see particular promise for this sector under the FTA.

Impact of the FTA

In our opinion, the proposed Free Trade Agreement will do a great deal to increase and expand levels of trade and investment from the United States, which will do far more than just sustain jobs, promote exports, and increase revenues for U.S. firms. We believe that as other U.S. companies establish themselves in Morocco under the FTA, they too will bring new technology, best practices, and vigorous corporate citizenship efforts. The FTA promises to do a great deal to strengthen the Moroccan economy and to help the Moroccan people, and it is truly a win-win proposition.

In order to operate and maintain our facilities, we employ more than 500 Moroccan citizens. Because electricity must be produced in proximity to its market, let me underscore that we did not “export” one job from the United States in making this investment. Instead, the Jorf Lasfar 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 workforce 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.

I would also observe that 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. Over time, the implementation of the new code will improve labor conditions further still, creating stability and predictability for employers and other potential foreign investors.

Our experience shows that the type of economic growth that will occur in Morocco as a result of this agreement can be managed in a way that mitigates concerns about the environment. CMS has worked closely with Moroccan authorities, our financial lenders, and other affected parties to implement world-class standards on water quality and emissions that utilize state of the art pollution control technology and practices. We have worked hard to develop major recycling programs, including a successful effort to recycle 85% of fly ash from the plant for use in concrete production – with the remaining 15% deposited in a world-class, environmentally friendly storage facility, to be recycled at a later date. In addition, we have collaborated with local officials and institutions to implement strict environmental training, compliance and reporting, and to increase environmental monitoring in the area and education at the local university.

Since our facility has operated for several years, 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 those can be sourced instead 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. service companies.

To conclude, on behalf of both CMS Energy and the entire US-Morocco FTA Coalition, I would like to urge swift Congressional approval of this important agreement. I also wish to acknowledge and express appreciation to you, Mr. Chairman, for your leadership and your outstanding efforts to move the Morocco agreement quickly. It is a strong 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.