

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Zoellick:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the *Industry Sector of Advisory Committee - Lumber and Wood Products for Trade Policy Matters (ISAC 10)* on the U.S.-Dominican Republic Free Trade Agreement (FTA).

**Report of the
Industry Sector Advisory Committee for Lumber and Wood Products
(ISAC-#10)**

April 22, 2004

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ISAC 10

Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S.-Dominican Republic Free Trade Agreement (FTA)

1. Purpose of the Committee Report

Section 2104 (e) of the Trade Act of 2002 requires that advisory committees provide the President, the U.S. Trade Representative, and Congress with reports required under Section 135 (e)(1) of the Trade Act of 1974, as amended, not later than 30 days after the President notifies Congress of his intent to enter into an agreement.

Under Section 135 (e) of the Trade Act of 1974, as amended, the report of the Advisory Committee for Trade Policy and Negotiations and each appropriate policy advisory committee must include an advisory opinion as to whether and to what extent the agreement promotes the economic interests of the United States and achieves the applicable overall and principle negotiating objectives set forth in the Trade Act of 2002.

The report of the appropriate sectoral or functional committee must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area.

Pursuant to these requirements, the Industry Sector Advisory Committee - Lumber and Wood Products (ISAC 10) hereby submits the following report.

2. Executive Summary of Committee Report

ISAC-10 believes that the US – Dominican Republic FTA (US-DR FTA), taken as a whole, is a positive development, which will advance the economic interests of the U. S. and the region. The agreement meets most of the negotiating goals and objectives set forth in past advice by this Advisory Committee.

Global elimination of tariffs on wood products is the priority trade objective of ISAC 10. The US-DR FTA represents a negotiated agreement between the US and a country in an evolving state of development. Thus, we find it notable that the DR will eliminate virtually all tariffs on wood products in Chapter 44 upon entry into force, thus expanding the opportunity to grow U.S. exports of wood products to the DR. US wood product exports to the Dominican Republic were valued at \$36 million in 2003. The US-DR FTA provides for the reciprocal entry into force. This is a significant result, building on similar tariff elimination agreements with Singapore, Australia and Chile, which hopefully will offer encouragement for other trading partners to

eliminate tariffs in this sector. The Committee commends negotiators for achieving this result, and would encourage immediate tariff elimination on all wood in all bilateral, regional, or multilateral trade agreements, thus expanding the opportunity to grow U.S. wood products exports to the DR.

However, the membership of ISAC-10 is concerned that the actual text of the US-DR FTA relative to Chapter 15 on Intellectual Property Rights was not available for review prior to April 21, 2004. The ISAC-10 membership has relied on the negotiator's oral statements to the IFAC-3 membership that the text of Chapter 15 is identical to the CAFTA text with exceptions to the Final Provisions associated with transition periods for entry into force and the text of three posted side letters.

III. Brief Description of the Mandate of the Industry Sector Advisory Committee (ISAC 10) on Lumber and Wood Products

The Industry Sector Advisory Committee (ISAC) on Lumber and Wood Products is comprised of environmental and industry representatives from the lumber and solid wood products sector that includes sawmills and planing mills, hardwood veneer and plywood, softwood veneer and plywood, reconstituted and engineered wood products, and certain treated wood products. Representatives serving on the Lumber and Wood Products ISAC provide advice on trade policy matters.

The Committee reports to the Secretary and the USTR, or their designees, through the Commerce Under Secretary for International Trade and the Assistant Secretary for Trade Development (the Assistant Secretary), and USTR's Assistant U.S. Trade Representative for Intergovernmental Affairs and Public Liaison (AUSTR).

IV. Negotiating Objectives and Priorities of the Industry Sector Advisory Committee (ISAC 10) on Lumber and Wood Products:

- a. Global elimination of tariffs on all wood products remains the top priority trade objective of the U. S. wood products industry. With a sustainably managed fiber base, skilled workforce, efficient mills, and logistics infrastructure, this is a highly competitive industry in the global economy. However, the persistence of high tariffs on wood products in the global market, and particularly, tariff escalation, applied to our products has prevented realization of our competitive advantage. High tariffs abroad allow foreign competitors to develop a competitive industry while securing their domestic or regional market share, while low or non-existent tariffs in the U.S. in this sector allow competing products free entry in our own market. Tariff escalation, allowing raw or semi-processed materials free entry, while imposing higher tariffs on value-added products is particularly disadvantageous to our most competitive products. We have urged U.S. negotiators to seek immediate elimination of tariffs on all products in this sector, and where tariff reductions are phased in, to reduce higher-level tariffs first and fastest to reduce the tariff escalation effect.
- b. Other general trade objectives for the wood products industry include elimination of non-

tariff barriers; elimination of capacity-building subsidies; support for monetary and trade policies that discourage currency manipulation for competitive trade advantage; rules of origin delineation providing for transformation at the four-digit level; mutual recognition and strong enforcement of trademark licenses; international harmonization and mutual recognition of product standards and accreditation procedures; and support for measures to ensure against reduced environmental standards for competitive advantage, particularly associated with illegal logging and trade in illegally harvested forest products.

V. Advisory Committee Opinion

Market Access: ISAC 10 commends the negotiators for achieving the top priority objective of the wood products industry having achieved the immediate elimination on virtually all tariffs in this sector. While the negotiators achieved elimination of tariffs on most lines of Chapter 44 for wood products, unfortunately, not every line will have tariffs immediately eliminated. ISAC10 maintains that all tariff line items should be tariff free which will yield the most potent economic benefit for all parties. However the lines where tariffs are eliminated immediately reflect the vast majority of our solid wood exports to the Dominican Republic.

Rules of Origin: ISAC 10 is satisfied with the results of the negotiation on rules of origin, which provide for recognition of transformation of solid wood products at the four-digit level.

Intellectual Property Rights (IPR): ISAC 10 is encouraged by the Dominican Republic's commitment to immediate or relatively short transitional time periods for implementation of IPR issues. The DR's commitments are generally shorter than for those agreed to in the US/Chilean and US/CAFTA agreements.

However, ISAC 10 wishes to emphasize the importance it places on the effective enforcement of the IPR obligations in this agreement. The protections are of little value without the commitment of the Government of the Dominican Republic to enforce those standards. The proof will rest on the implementation of these standards by the regulatory authorities, judicial and administrative agencies that are responsible for enforcement. The United States Government should be prepared to act quickly if the DR fails to implement or enforce its IPR, and specifically for this sector its trademark and copyright protection obligations, in a timely manner.

Sanitary and Phytosanitary Measures (SPS): ISAC 10 recognizes that the free trade agreement is predicated on the mutual recognition of existing rights and obligations currently being enforced by each country under their respective sanitary and phytosanitary regulations.

International Harmonization of Standards:

ISAC 10 supports the US-DR FTA Chapter on TBT since the DR has agreed to the same text

as that found in the CAFTA agreement. We support the transparency of standards development, participation by non-governmental bodies and mutual recognition or harmonization of conformity assessment bodies. The US industry also supports the minimum 60 days response time period for responding to Standards Notifications and the stated availability to establish equivalency between National standards.

General: ISAC-10 believes the FTA provides reciprocity in the wood products sector and will advance the economic interests of the U.S. and therefore supports the US-Dominican Republic FTA and urges its prompt approval and entry into force.

VI. Membership of the Industry Sector Advisory Committee on Lumber and Wood Products (ISAC 10)

- 1) Lyn Withey - CHAIR
International Paper Company
- 2) Ernest Altman - VICE CHAIR
Hardwood Plywood & Veneer Association
- 3) Edward Elias
APA-The Engineered Wood Association
- 4) John Grunwald
Representing the Indiana Hardwood Lumberman's Association
- 5) Edward Heidt, Jr.
The Penrod Company
- 6) Jerry L. Hingle
Southern Forest Products Association
- 7) Paul Houghland, Jr.
National Hardwood Lumber Association
- 8) Michael Leahy, Esq.
Defenders of Wildlife
- 9) Paul E. McKay
PMG & Associates
- 10) Thomas Searles
American Lumber Standards Committee
- 11) James A. Taylor

Representing Tri-State Pole and Piling, Inc.

- 12) Robert Taylor
Weyerhaeuser
- 13) C. Richard Titus
Kitchen Cabinet Manufacturers Association