

September 20, 2006

The Honorable Susan Schwab
United States Trade Representative
Executive Office of the President
Washington, D.C. 20508

Dear Ambassador Schwab:

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 Trade Advisory Committee for Forest Products (ITAC 7) on the United States-Colombia Trade Promotion Agreement, reflecting consensus on the proposed Agreement.

Sincerely,



Ann Wroblewski, Chair
ITAC 7

The United States-Colombia Trade Promotion Agreement

**Report of the
Industry Trade Advisory Committee on Forest Products (ITAC 7)**

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Industry Trade Advisory Committee on Forest Products (ITAC 7)

Advisory Committee Report to the President, the Congress and the United States Trade Representative on the United States-Colombia Trade Promotion Agreement

I. 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) 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 principal 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 Trade Advisory Committee on Forest Products (ITAC 7) hereby submits the following report.

II. Executive Summary of Committee Report

ITAC 7 believes that the U.S.–Colombia Trade Promotion Agreement (TPA), taken as a whole, is a positive development, which will advance the economic interests of the U.S. and Colombia. The Committee recognizes that the achievement of our principal objective – the immediate elimination of tariffs on all paper and wood products – was not achieved. In light of Colombia’s status as a developing country, this TPA should be viewed as a unique case and should not be considered as a template for the treatment of paper and wood tariffs as the U.S. negotiates future trade agreements with developed or advanced developing countries.

Deleted: good agreement

ITAC 7 strongly urges that the market access provisions of other FTAs (e.g., the U.S.-Chile and the U.S.-Australia FTAs) serve as the template for future FTAs/TPAs. In order for subsequent agreements to achieve sectoral equity and reciprocity, it is absolutely essential that they provide for the elimination of tariffs on all paper and wood products immediately upon implementation. In the paper and wood products sector, a number of advanced developing nations are already world-class competitors to the United States and do not require lengthy periods of tariff protection.

III. Brief Description of the Mandate of ITAC 7

ITAC 7 is comprised of industry representatives from the forest products sector that includes lumber and solid wood products and pulp and paper products. The Committee also includes environmental representatives. Representatives serving on the Forest Products ITAC provide advice on trade policy matters.

The Committee reports to the Secretary of Commerce and the United States Trade Representative, or their designees, through the Under Secretary of Commerce for International Trade and the Assistant Secretary for Manufacturing and Services, and the Assistant U.S. Trade Representative for Intergovernmental Affairs and Public Liaison.

IV. Negotiating Objectives and Priorities of ITAC 7

The speedy elimination of all tariffs on forest products (which includes the full range of goods in the lumber and wood products and pulp and paper products sectors) is the priority market access objective of ITAC 7. The majority of members of ITAC 7 support any bilateral, regional, or multi-lateral trade negotiations that would advance the core objective of eliminating tariffs on all forest products. The Committee urges U.S. trade negotiators to pursue the elimination of forest products tariffs as an urgent matter whenever opportunities arise as provided in the Uruguay Round Agreements Act.

The U.S. has both the forest resources and industrial infrastructure to meet demand both at home and abroad. However, the persistence of high tariffs, and particularly tariff escalation, applied to our products has prevented realization of our competitive advantage. High tariffs are used by foreign countries to support the development and expansion of forest products industries and secure their domestic or regional market share, while zero or low tariffs in the U.S. allow those competitors free entry to our domestic market. Tariff escalation, allowing raw or semi-processed materials free entry, while imposing higher tariffs on more processed products is particularly disadvantageous to our most competitive products. A majority of the Committee members have urged U.S. negotiators to seek immediate elimination of tariffs on all products in this sector, and where tariff reductions have to be phased in, to reduce higher-level tariffs first and at a faster rate to diminish the tariff escalation effect.

Other general trade objectives for the forest 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 high environmental and forestry management standards and for measures to ensure against the lowering of environmental standards for the purpose of gaining competitive advantage, particularly associated with illegal logging and trade in illegally harvested forest products.

V. ITAC 7 Opinion on Agreement

Market Access

Lumber and wood products: U.S. exports to Colombia were only \$4 million in 2005. The top U.S. exports in this sector were railway ties, veneer sheets, and builders' joinery. Colombian tariffs on products of Chapter 44 range between 5 and 20 percent, with an average of 12.3 percent in 2005. For lumber and wood products, 69 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the agreement, and tariffs on 15 percent of exports will be eliminated over 5 years. Tariffs on the remaining 16 percent of exports will be eliminated over 10 years. Tariffs on some products, which the United States does not export to Colombia, will be eliminated over five years. Tariffs on high-value priority wood products including particleboard, fiberboard, and some builder's joinery will be eliminated immediately upon implementation of the agreement.

Paper and paper products: U.S. exports of paper and paperboard products to Colombia totaled \$110 million last year. The top U.S. exports in this sector included kraft paper and paperboard, kraftliner, and writing paper. Colombian tariffs range between zero and 20 percent, with an average of 12.5 percent. For paper products, 44 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the agreement. Tariffs on another 8 percent of exports will be eliminated over five years, and 42 percent will be eliminated over seven years. Duties on the remaining 6 percent of U.S. exports will be eliminated over ten years.

As indicated previously, ITAC 7 recognizes that Colombia is a developing country and its industry needs a transition period before tariffs are totally eliminated. As the U.S. government negotiates future FTAs/TPAs, ITAC 7 urges the U.S. government to continue to seek the immediate elimination of all paper and wood tariffs upon implementation. The Committee notes that staging tariff cuts over a period of years would be disadvantageous to the U.S. forest products industry as this would delay and minimize the benefits of tariff reductions and further erode U.S. export competitiveness.

Environment

While primarily producing wood and paper products domestically, U.S. forest products companies also operate in the global market where issues surrounding legality and the sustainability of the products we manufacture are growing in importance. We believe the U.S.-Colombia TPA and the establishment of the Environmental Affairs Council serve as an opportunity to demonstrate our respective countries' commitment to improving global forestry practices and taking steps to eliminate illegal logging and the use of illegally obtained timber in the manufacturing of forest products.

ITAC 7 believes the following priority areas are critical in addressing illegal logging:

- Capacity building and exchange of information on strategies and experiences in order to improve the effectiveness of enforcement, verification, and compliance with regard to environmental laws, norms, regulations, and treaty obligations.

- Promoting sustainable development and management of environmental resources and protected areas.

VI. Membership of the Industry Trade Advisory Committee on Forest Products (ITAC 7)

Ann Wrobleski – Chair
International Paper

Jacob Handelsman – Vice Chair
American Forest & Paper Association

Ernest T. Altman
Hardwood Plywood & Veneer Association

Heidi Biggs Brock
Weyerhaeuser Company

Michael G. Brummer
Representing Hammer Lithograph Corporation

Angel M. Diez
Pope & Talbot, Inc.

Anne H. Divjak
American Forest & Paper Association

Edward G. Elias
APA-The Engineered Wood Association

John A. Grunwald
Representing the Indiana Hardwood Lumbermen's Association

Edward A. Heidt, Jr.
The Penrod Company

Paul Houghland, Jr.
National Hardwood Lumber Association

Michael T. Leahy, Esq.
Defenders of Wildlife

Brent J. McClendon
The International Wood Products Association

Paul E. McKay
PMG & Associates

Virginia R. McLain
MeadWestvaco Corporation

Douglas P. Norlen
Pacific Environment

Harold A. Rahn
Norcom, Inc.

Thomas D. Searles
American Lumber Standard Committee

James A. Taylor
Representing Tri-State Pole and Piling, Inc.

Robert W. Taylor
Weyerhaeuser Company

C. Richard Titus
Kitchen Cabinet Manufacturers Association

Elizabeth C. Ward
Hardwood Federation