

April 22, 2004

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Avenue, NW
Washington D.C. 20500

Dear Mr. President:

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 Advisory Committee for Trade Policy and Negotiations (ACTPN) on the integration of the Dominican Republic into the Central America Free Trade Agreement (CAFTA), reflecting the main and dissenting opinions of the ACTPN on the proposed agreement.

The ACTPN, with the exception of one member, endorses the expansion of the CAFTA to include the Dominican Republic. In our March 12, 2004, report to you on CAFTA, we had urged that the Dominican Republic be added as quickly as possible, and we are very pleased that this has been accomplished so quickly. We believe the expanded agreement fully meets the negotiating objectives laid out in the Trade Act of 2002, and believe it to be strongly in the best economic interest of the United States. We also believe the agreement is a comprehensive and state-of-the-art agreement that not only will benefit the U.S., Central American, and Dominican Republic economies; but also will add even greater impetus for additional bilateral or regional agreements.

With the addition of the Dominican Republic, the agreement now encompasses America's second largest Latin American market, exceeded only by Mexico. In addition to its economic benefits for all parties, the agreement will contribute to political stability in the Western Hemisphere and advance regional economic cooperation. This agreement should be enacted into law as soon as possible, so American farmers and ranchers, manufacturers, services providers, and consumers can begin to receive the benefits of this agreement at the earliest possible date.

All ACTPN members concur with these recommendations and with the report of the ACTPN with the exception of Mr. James Hoffa, the President of the International Brotherhood of Teamsters, whose dissenting views are included.

Sincerely,

Bill Frenzel
Chairman
Advisory Committee for Trade Policy and Negotiations

**The Dominican Republic Provisions in the Expanded
U.S. – Central American Free Trade Agreement**

**The Report of the
Advisory Committee
for Trade Policy and Negotiations
(ACTPN)**

April 22, 2004

**The Advisory Committee
for Trade Policy and Negotiations (ACTPN)**

**Report to the President, the Congress,
and the United States Trade Representative on the**

**Dominican Republic Provisions in the Expanded
U.S.-Central American Free Trade Agreement**

I. Preface

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)(I) 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 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.

Pursuant to these requirements, the Advisory Committee for Trade Policy and Negotiations hereby submits its report.

II. Executive Summary of Committee Report

The ACTPN, with the exception of the representative of the International Brotherhood of Teamsters, believes the expansion of the U.S.- Central American Free Trade Agreement (CAFTA) through the inclusion of the Dominican Republic fully meets the negotiating principles and objectives laid out in the Trade Act of 2002, and believes the agreement is strongly in the interest of the United States. With the inclusion of the Dominican Republic, the agreement will even more broadly level the playing field for America's farmers and ranchers, manufacturers, and service establishments. It will provide increased market access for American goods and services and will also provide U.S. producers and consumers with lower-cost access to Central American and Dominican Republic goods and services -- and does so in a manner not disrupting the U.S. economy. Appropriate transition and adjustment times are built into the agreement.

The CAFTA is an exceptional agreement, made even better by the inclusion of the Dominican Republic. The ACTPN notes that, counting the European Union as a single market, the expanded CAFTA is America's 9th largest export market. The \$15 billion of U.S. exports to the enlarged CAFTA area last year makes CAFTA the largest American export market in the Western Hemisphere after Canada and Mexico -- more than one-third larger, for example, than the Brazilian market for U.S. exports.

The agreement integrates the Dominican Republic into the CAFTA agreement, rather than being a separate, stand-alone, agreement. As such, the Dominican Republic assumed the commitments already in the CAFTA agreement rather than negotiating a totally new set of provisions and commitments. This being the case, the ACTPN sees no need to comment a second time on the excellent provisions of the CAFTA agreement, and instead wishes to draw attention to its March 12, 2004, report to the President on that agreement.

As was the case with the Central American countries, however, separate schedules of commitment were negotiated for market access in goods (including agriculture), services, investment, and government procurement. The ACTPN finds these separate schedules meet the negotiating principles and objectives set forth in the Trade Act of 2002, and will comment on them briefly in Section IV of our report.

The ACTPN has taken notice of how quickly the negotiations with the Dominican Republic were able to take place because the framework and basic elements of the agreement were already in place. Given the number of additional free trade agreements the United States has already agreed to negotiate, and the number that might be added in the future, the ACTPN urges the Administration to consider utilizing the CAFTA text as the basis for a “model free trade agreement” that could be used to increase the productivity of future bilateral trade negotiations and to reduce the amount of negotiating time needed.

The ACTPN, with the exception of Mr. James Hoffa, President of the International Brotherhood of Teamsters, believes this agreement to be strongly in the U.S. economic interest and to be a model and an incentive for additional agreements. We urge its quick adoption. Mr. Hoffa’s dissenting view is included in the body of the ACTPN report.

III. Description of the Committee

The Advisory Committee for Trade Policy and Negotiations (ACTPN) is the U.S. government’s senior trade advisory panel. It was established to provide the U.S. Trade Representative with policy advice on: (1) matters concerning objectives and bargaining positions of proposed trade agreements; (2) the implementation of trade agreements once they are in force; and (3) other matters arising in connection with the trade policy of the United States. The ACTPN provides an overview of trade policy and issues. Advice on matters affecting individual sectors or policy areas is expected to be provided by Policy Advisory Committees in the areas of agriculture, non-Federal governments, labor, environment, and by the Industry Sector Advisory Committees (ISACs), and Industry Functional Advisory Committees (IFACs).

In keeping with its broad charter, the membership of the ACTPN is representative of key economic sectors affected by trade. Members are drawn from business, industry, labor, agriculture, small business, service industries, retailers, and consumer interests. The membership of the ACTPN is appended to this report.

IV. Advisory Committee Opinion on Agreement

The ACTPN (or “the committee”), with the exception of one dissenting member, fully endorses the expanded U.S. – Central America Free Trade Agreement (the CAFTA or “the agreement”) as negotiated by the President’s U.S. Trade Representative with Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. Our report draws on the views of all ACTPN members, representing a broad spectrum of trade-related industries and interests. We believe the agreement strongly promotes the economic interests of the United States and fully achieves the overall and principal negotiating objectives set forth in the Trade Act of 2002. The dissenting view is set forth at the end of this report.

We believe the expanded CAFTA will substantially improve market access for American farm products, industrial and other non-agricultural goods, and services. We also believe it will expand two-way trade opportunities and will benefit employment and living standards for all parties. We further believe the agreement will reinforce the commitment of the Central American countries and the Dominican Republic to democracy and greater economic openness. It will contribute to the political stability and economic integration of the region and provides a strong incentive for further trade liberalization in the Western Hemisphere.

The committee also believes that the economic interests of the United States are advanced on the import side of the agreement. Consumers will benefit from trade liberalization, the staging of which has taken account of the need of sensitive sectors to adjust to the reduction and eventual elimination of trade barriers to Central American goods and services.

The ACTPN’s brief views on the separate schedules negotiated with the Dominican Republic follow. As noted earlier, the Dominican Republic signed on to the commitments that had already been negotiated, and there is no need for the ACTPN to review these again.

Market Access for Consumer and Industrial Goods -- The ACTPN believes that the market access schedule to which the Dominican Republic agreed achieves the Trade Act’s market access goals. The committee notes that 80 percent of U.S. consumer and industrial goods will become totally duty-free as soon as the agreement goes into effect, with the remainder phased out over 10 years. This is virtually the same as for the other CAFTA countries, and is an excellent achievement for U.S. exporters. The ACTPN is particularly pleased that the Dominican Republic, as part of these negotiations, will become a member of the WTO Information Technology Agreement, which provides for duty-free treatment of information technology products. This has been a key objective of U.S. high-tech industries.

Agriculture -- Similar to the agreements with the other CAFTA countries, more than half of current U.S. agricultural exports to Central America will be duty free upon implementation of the agreement, and tariffs on most U.S. farm exports will be phased out within 15 years. The ACTPN notes that the agreement is comprehensive in its coverage, providing commercially-meaningful access for U.S. agricultural priorities while taking due account of U.S. agricultural sensitivities. The agreement specifically addresses sanitary and phytosanitary (SPS) cooperation. The agreement also recognizes the Dominican Republic’s agricultural sensitivities.

Services -- The ACTPN is pleased that the agreement's services commitment schedule covers the cross-border supply of services and the right to invest and establish a local service presence. The schedule accords substantial market access under the highly-important "negative list" approach. The committee takes particular note that the Dominican Republic's commitments schedule includes CAFTA's ground-breaking provisions that will dismantle the dealer protection laws that have saddled U.S. firms with inefficient dealer distribution arrangements in the region and which are prevalent throughout Latin America. The ACTPN strongly urges the inclusion of similar provisions in future trade agreements.

Labor Provisions -- The ACTPN, with the exception of Mr. Hoffa, the President of the International Brotherhood of Teamsters believes the CAFTA fully meets the labor objectives that emerged from the Trade Act of 2002. Mr. Hoffa's dissenting view is identical to that expressed in the committee's original March 12, 2004, report on the CAFTA agreement. Mr. Hoffa stresses that he does not believe either the labor or the dispute settlement provisions of the agreement meet the requirements of the Trade Promotion Act of 2002 and that he therefore cannot support the CAFTA agreement.

Membership:

Advisory Committee for Trade Policy and Negotiations (ACTPN)

Name	Organization
Bernard W. Aronson	ACON Investments, LLC
Paul Norman Beckner	Citizens for a Sound Economy
JoAnn Brouillette	Demeter
Melinda S. Johnson Bush	HRW Holdings, LLC
Jill M. Considine	The Depository Trust and Clearing Corp.
Edward C. Emma	Jockey International, Inc.
George B. Fitch	Mayor, City of Warrenton, VA
William E. Frenzel	The Brookings Institute
Robert E. Grady	The Caryle Group
Michael Goldstein	Toys R@Us Children's Fund
Frank H. Habicht	Global Environment & Technology Foundation
Peter Hanna	Hanna Steel Corporation
Walter B. D. Hickey Jr.	Hickey Freeman Company, Inc.
James Philip Hoffa	International Brotherhood of Teamsters
Jerome J. Jasinowski	National Association of Manufacturers
Fisk Herbert Johnson	SC Johnson & Son, Inc.
Hersh Kozlov	Wolf, Block, Schorr and Solis-Cohen LLP
Charles E. Kruse	Missouri Farm Bureau
Luis Lauredo	Hunton & Williams, LLC
Larry A. Liebenow	Quaker Fabric
James W. Morrison	Small Business Exporters Association
Thomas D. Mottola	Sony Music Entertainment
Grace E. Andrews Nichols	Victoria's Secret Stores
Samuel J. Palmisano	IBM Corporation
Edward J. Perkins	University of Oklahoma
Kevin B. Rollins	Dell Computer Corporations
Steven R. Rogel	Weyerhaeuser
Jean-Pierre C. Rosso	CNH Global
John G. Rowland	Governor, State of Connecticut
Hector Ruiz	Advanced Micro Devices
Rodolphe M Vallee	R.L. Valle, Inc.
Morgan Y. Wang	Angeles Optics, Inc.
Margaret C. Whitman	eBay, Inc.
Wythe W. Willey	National Cattlemen's Beef Association