

February 1, 2006

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

Dear Ambassador Portman:

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-Peru Trade Promotion Agreement, reflecting majority and additional advisory opinion(s) on the proposed Agreement.

Sincerely,

Ernest T. Altman
Acting Chair
ITAC 7

The United States-Peru 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-Peru 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. – Peru Trade Promotion Agreement (TPA), taken as a whole, is a positive development, which will advance the economic interests of the U.S. and Peru. 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 Peru’s status as a developing country. Peru should thus be viewed as a unique case and should not be considered as a template for the treatment of paper and wood tariffs in future trade agreements.

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, many developing nations are already world-class competitors to the United States and do not require lengthy periods of tariff protection to develop their domestic industry.

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

IV. Negotiating Objectives and Priorities of ITAC 7

In terms of market access, 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 trade 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 avail themselves of the authority provided in the Uruguay Round Agreements Act to pursue the elimination of forest products tariffs as an urgent matter whenever opportunities arise.

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, and particularly tariff escalation, applied to our products has prevented realization of our competitive advantage. High tariffs allow foreign countries to support the development 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 in our own 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 reduced environmental standards for competitive advantage, particularly associated with illegal logging and trade in illegally harvested forest products.

V. ITAC 7 Opinion on Agreement

Market Access

ITAC 7 urges the U.S. government to continue to seek the immediate elimination of all paper and wood tariffs upon FTAs/TPAs going into effect and be bound at that level. The Committee notes that staging tariff cuts over a period of years would be discouraging 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.

ITAC 7 notes the U.S. - Peru TPA does not provide for Peru's tariffs to fall to zero immediately on all products of Chapters 44, 47 and 48 once the agreement goes into effect. ITAC 7 wants to make sure that its long-standing position of requiring zero tariffs upon entering into any new FTA/TPA is in no way undermined in the future.

Environmental Cooperation Agreement

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.-Peru TPA and its associated Environmental Cooperation Agreement serve as an opportunity to demonstrate our respective countries' commitment to improving global forestry practices and taking steps to eliminate illegal logging, associated illegal border trade, 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.

Several members of ITAC 7 also believe the following should be included as a priority area in addressing illegal logging:

- Documentation of efforts at treaty compliance.

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

- 1) Ernest T. Altman – Acting Chair
Hardwood Plywood & Veneer Association
- 2) Heidi Biggs Brock
Weyerhaeuser Company
- 3) Michael G. Brummer
Representing Hammer Lithograph Corporation
- 4) Angel M. Diez
Pope & Talbot, Inc.
- 5) Anne H. Divjak
American Forest & Paper Association
- 6) Edward G. Elias
APA-The Engineered Wood Association
- 7) Thomas E. Gestrich
International Paper
- 8) John A. Grunwald
Representing the Indiana Hardwood Lumbermen's Association
- 9) Jacob Handelsman
American Forest & Paper Association
- 10) Edward A. Heidt, Jr.
The Penrod Company
- 11) Jerry L. Hingle
Southern Forest Products Association
- 12) Paul Houghland, Jr.
National Hardwood Lumber Association
- 13) Michael T. Leahy, Esq.
Defenders of Wildlife
- 14) Brent J. McClendon
The International Wood Products Association
- 15) Paul E. McKay

PMG & Associates

- 16) Virginia R. McLain
MeadWestvaco Corporation
- 17) Douglas P. Norlen
Pacific Environment
- 18) David J. Paterson
Georgia-Pacific Corporation
- 19) Harold A. Rahn
Norcom, Inc.
- 20) Thomas D. Searles
American Lumber Standard Committee
- 21) James A. Taylor
Representing Tri-State Pole and Piling, Inc.
- 22) Robert W. Taylor
Weyerhaeuser Company
- 23) C. Richard Titus
Kitchen Cabinet Manufacturers Association