

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

The Honorable Daniel R. Pearson
Chairman
U.S. International Trade Commission
500 E Street, S.W.
Washington, DC 20436

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Dear Chairman Pearson:

Section 1634(b) of the Pension Protection Act of 2006 authorizes the President, subject to the consultation and layover requirements of section 104 of the Dominican Republic – Central America – United States Free Trade Agreement Implementation Act (the Act), to proclaim such modifications to the Harmonized Tariff Schedule of the United States as are necessary to implement amendments to the Dominican Republic – Central America – United States Free Trade Agreement (the Agreement), the terms of which are set forth in a letter of understanding between the United States and the Dominican Republic or between the United States and Costa Rica relating to the rule of origin for apparel containing pocket bag fabric under the Agreement. One of the requirements set out in section 104 of the Act is that the President obtain advice regarding the proposed action from the U.S. International Trade Commission.

We have recently signed such letters of understanding with the Dominican Republic and Costa Rica. Pursuant to this letter, the United States, the Dominican Republic, and Costa Rica have agreed to formally seek amendments to the Agreement after the Agreement enters into force for those countries that would modify certain rules of origin in the Agreement as well as the tariff treatment of certain non-originating goods imported from Parties to the Agreement.

Under authority delegated by the President, and pursuant to section 104 of the Act, I request that the Commission provide advice on the probable economic effect of the modifications to the Agreement's rules of origin and other modifications to tariff treatment under the Agreement reflected in the Annex to this letter. I request that the Commission provide this advice at the earliest possible date, but not later than four months after receipt of this letter. The Commission should issue, as soon as possible thereafter, a public version of its report with any business confidential information deleted.

The Commission's assistance in this matter is greatly appreciated.

Sincerely,



Susan C. Schwab

Enclosure

ANNEX

**DOMINICAN REPUBLIC – CENTRAL AMERICA – UNITED STATES
FREE TRADE AGREEMENT**

Proposed Modifications to the Agreement

to implement pocketing letters with Dominican Republic and Costa Rica

1. Pocket Bag Fabric

- (a) Modify the Chapter Rules for Chapter 61 in Annex 4.1 of the Agreement by adding the following at the end:

“Chapter Rule 5

Notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.”

- (b) Modify the Chapter Rules for Chapter 62 in Annex 4.1 of the Agreement by adding the following at the end:

“Chapter Rule 6

Notwithstanding Chapter Rule 2, a good of this chapter that contains a pocket or pockets shall be considered originating only if the pocket bag fabric has been formed and finished in the territory of one or more of the Parties from yarn wholly formed in the territory of one or more of the Parties.”

2. Single Transformation for Certain Items

Modify the specific rule of origin set out in Annex 4.1 of the Agreement for goods classifiable in certain tariff items as follows:

“A change to tariff items 6202.91.2011, 6203.39.9020, 6204.23.00, 6204.29.20, 6204.29.40, 6204.33.20, or 6204.39.80 from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or more of the Parties.”

3. Tariff Treatment of Certain Non-Originating Items

Modify the General Notes of the Schedule of the United States to Annex 3.3 of the Agreement by adding a new note 6 as follows:

- (a) For non-originating goods classifiable in tariff items 6202.11.00, 6203.31.90, 6203.33.10, 6203.41.18, 6203.42.40, 6203.43.30, and 6204.62.40 that are products of a CAFTA-DR Party, the duty applied by the United States shall be 0.5 percentage points lower than the MFN (general column 1) rate of duty, provided

that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of one or more of the Parties and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and the proposed Chapter Rule 6 above.

- (b) For non-originating goods classifiable in tariff items 6203.12.2020, 6203.43.40, and 6204.63.35 that are products of a CAFTA-DR Party, the duty applied by the United States shall be 2.0 percentage points lower than the MFN (general column 1) rate of duty, provided that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of one or more of the Parties and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and the proposed Chapter Rule 6 above.

4. Modifications to Costa Rica Wool TPL

Modify the Costa Rica tariff preference level (TPL) in Annex 3.27 of the Agreement as follows:

- (a) Apply no customs duty, rather than a duty that is 50 percent of the MFN duty, for goods entering under the TPL.
- (b) Extend the TPL from 2 years to 10 years.
- (c) Create, in addition to the existing TPL of 500,000 square meter equivalents (SME), a separate limit of 500,000 SME for men's and boys', women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts of worsted wool fabric, made of wool yarn having an average fiber diameter of greater than 18.5 microns, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica.
- (d) Create, in addition to these wool TPLs, a separate TPL limited to women's knit swimwear that is specially designed to accommodate post mastectomy breast prostheses, containing two full size interior pockets with side openings, two preformed cups, a supporting elastic band below the breast, and vertical center stitching to separate the two pockets, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica. The limit for this TPL shall be 100,000 SME in year one, 106,000 SME in year two, 112,360 SME in year three, 119,102 SME in year four, 126,248 SME in year five, and 133,823 SME in each of years six through ten.

5. Modification to Cumulation for Wool

Modify the cumulation provisions in Appendix 4.1-B of the Agreement to provide that the 100 million SME limit shall not apply to men's and boys' and women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts of worsted wool fabric, made of wool yarn having an average fiber diameter of greater than 18.5 microns.