

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

The Honorable Charles E. Grassley
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

NOV 16 2004

Dear Mr. Chairman:

As you know, the Dominican Republic has recently imposed a 25 percent tax on beverages containing high fructose corn syrup (HFCS). This tax is incompatible with the Dominican Republic's obligations under the free trade agreement (FTA) that we concluded with that government and five Central American countries in August.

In September, I informed President Fernandez that I could not recommend including the Dominican Republic in the FTA package for consideration by the Congress if the high fructose corn syrup tax became law. Because the tax is now in effect, I am writing today to inform you of the steps we are taking to move forward, if necessary, with a regional free trade agreement that includes the United States and our five Central American partners, but not the Dominican Republic.

Specifically, I have asked my staff to forward to the Central American governments the text of the free trade agreement that excludes the Dominican Republic. This version eliminates those provisions specifically applicable to that government, but is otherwise identical to the agreement we signed on August 5, 2004. We will transmit this text to your staff shortly and will post it on USTR's website.

As a further step, I have asked the United States International Trade Commission (ITC) to assess the likely impact of a free trade agreement with Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua on the U.S. economy, on specific industry sectors, and on U.S. consumers. As you may know, the ITC has already reported on the likely economic impact of a free trade agreement that includes both Central America and the Dominican Republic. This supplemental analysis will become relevant if the President asks the Congress to consider the version of the free trade agreement that does not include the Dominican Republic.

We are continuing to work with the Dominican Republic to address the HFCS matter in a manner that would allow that government to join our Central American partners and us in a robust and mutually beneficial regional free trade agreement. This, obviously, is our preferred outcome. At the same time, however, we are preparing for the possibility that we will need to move forward to implement an agreement with Central America alone.

Sincerely,



Robert B. Zoellick