

April 6, 2004

The Honorable Robert B. Zoellick  
United States Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20508

Dear Ambassador Zoellick:

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 Sector Advisory Committee - Lumber and Wood Products for Trade Policy Matters (ISAC 10)* on the U.S.-Morocco Free Trade Agreement (FTA

Sincerely,

Lyn Withey  
Chair  
ISAC 10

**The U.S.- Morocco Free Trade Agreement**

**Report of the  
Industry Sector Advisory Committee for Lumber and Wood Products  
(ISAC-#10)**

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## **ISAC 10**

### **Advisory Committee Report to the President, the Congress and the United States Trade Representative on the U.S.-Morocco Free Trade 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)(1) 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 principle 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 Sector Advisory Committee - Lumber and Wood Products (ISAC 10) hereby submits the following report. The report reflects the views of the industry representatives on the committee.

#### **II. Executive Summary of Committee Report**

ISAC-10 believes that the US – Morocco FTA taken as a whole, is a positive development, which will advance the economic interests of the U. S. and the region. The agreement meets most of the negotiating goals and objectives set forth in past advice by this Advisory Committee.

The priority objective of ISAC10 in trade negotiations has been the immediate elimination of tariffs on wood products. ISAC-10 recognizes that Moroccan tariffs will eventually be eliminated over eight years and this will create a better opportunity for increasing U.S. wood product exports. However, we strongly urge governments to pursue actions to decrease the staging periods for total tariff elimination from the currently agreed to eight years. ISAC-10 endorses this FTA but advises that this FTA should not serve as a template for any future FTA with respect to tariffs.

ISAC-10 urges that tariff staging, as presented in the Morocco FTA should not be used as a starting point, quick accession, or default position for negotiations in future bilateral, or multilateral, or regional trade agreements such as pending negotiations with Andean nations. In

the solid 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 or protect their domestic industry.

### **III. Brief Description of the Mandate of the Industry Sector Advisory Committee (ISAC 10) on Lumber and Wood Products**

The Industry Sector Advisory Committee (ISAC) on Lumber and Wood Products is comprised of environmental and industry representatives from the lumber and solid wood products sector that includes sawmills and planing mills, hardwood veneer and plywood, softwood veneer and plywood, reconstituted and engineered wood products, and certain treated wood products. Representatives serving on the Lumber and Wood Products ISAC 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 Trade Development (the Assistant Secretary), and USTR's Assistant U.S. Trade Representative for Intergovernmental Affairs and Public Liaison (AUSTR).

### **IV. Negotiating Objectives and Priorities of the Industry Sector Advisory Committee (ISAC 10) on Lumber and Wood Products:**

a. Global elimination of tariffs on all wood products remains the top priority trade objective of the U. S. wood products industry. 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 abroad allow foreign competitors to develop a competitive industry while securing their domestic or regional market share, while low or non-existent tariffs in the U.S. in this sector allow competing products free entry in our own market. Tariff escalation, allowing raw or semi-processed materials free entry, while imposing higher tariffs on value-added products is particularly disadvantageous to our most competitive products. We have urged U.S. negotiators to seek immediate elimination of tariffs on all products in the solid wood sector, and where tariff reductions are phased in, to reduce higher level tariffs first and fastest to reduce the tariff escalation effect.

b. Other general trade objectives for the wood 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 measures to ensure against reduced environmental standards for competitive advantage, particularly associated with illegal logging and trade in illegally harvested forest products.

## **V. Advisory Committee Opinion**

The US goal in the negotiation of every free trade agreement should be at the very least to build on an existing baseline of accomplishments. The Morocco FTA generally builds on the requirements already agreed to in the WTO and provisions previously negotiated within the NAFTA, Jordan, Singapore and Chile Free Trade Agreements.

ISAC-10 notes that this is an agreement completed with a country in a developing stage of economic growth. The fact that Morocco chose to pursue an increased level of accountability in trade with the United States is encouraging. Also encouraging is that the agreement provides for increased levels of accountability. ISAC-10 encourages the US Government to continue this strong negotiating posture in future trade agreements.

While the achievement of trade liberalization and accountability in this agreement is positive, ISAC 10 is disappointed that, unlike in recently completed FTA's notably Australia, Chile and Singapore, the immediate elimination of tariffs on wood products was not achieved. It is positive that the Morocco FTA provides for the ultimate tariff elimination, but the lengthy staging periods for many products is disappointing considering this FTA will only yield tariff rate parity with the European Union through their Association Agreement with Morocco.

On the other hand, the Moroccan FTA includes provisions supporting the international treaties on technical barriers to trade, intellectual property rights, and phytosanitary regulations. The Moroccan FTA also includes provisions on conformity assessment procedures, which should ensure that US certification agencies can be recognized, thus facilitating easier acceptance of our products.

*Market Access* – The primary objective of ISAC 10, immediate elimination of tariffs across the wood products in Chapter 44, will ultimately be achieved, but for value-added wood products, reductions will be phased in over eight years. This staging will significantly delay or diminish the benefits to be experienced by the US wood products industry. However, ISAC-10 compliments the US negotiators on restricting the staging in this sector to no greater than eight years, despite the prohibitively high base tariffs on wood imposed by Morocco, compared to one of the other schedules that included time periods as long as 18 years. We encourage governments to take advantage of the provision allowing for acceleration of tariff reductions between parties. We hope and expect that as the benefits of tariff reductions begin to take effect, parties will move to accelerate reductions on products subject to longer phase-outs.

ISAC-10 strongly urges that the tariff staging, as presented in the Morocco Free Trade Agreement, should not be used as a starting point, quick accession, or default position during negotiations in future bilateral or multilateral trade agreements, for example the FTAA. In the solid wood products sector, many developing nations are already world-class competitors to the United States. High tariffs imposed by these nations with competitive manufacturing bases allow them to continue to develop capacity while maintaining or securing additional domestic or

regional market share. Immediate elimination of tariffs on all wood products remains a top priority objective for ISAC-10.

*Rules of Origin –*

ISAC-10 supports the recognition of the transformation of solid wood products at the four-digit level. Annex 5-A Section B Specific Rules of this agreement does not specify rules for Chapter 44. ISAC-10 advice to USTR on this topic for all US FTAs has been to include negotiating text similar to that agreed to in the US/Chile Free Trade Agreement:

“Chapter 44 Wood and Articles of Wood, Wood Charcoal  
44.01-44.21 A change to heading 44.01 through 44.21 from any other heading including another heading within that group.”

ISAC-10 still encourages the inclusion of this text within the Moroccan FTA and all future trade negotiations.

*Intellectual Property Rights (IPR)*

ISAC10 supports the Chapter on intellectual property rights believing that this agreement has resulted in the most advanced text so far. ISAC10 is supportive of the negotiations on trademark (specifically certification marks) and copyright protection. In particular, the US wood products industry is pleased with the broader scope of protection that will be recognized for well-known marks, in a manner similar to that negotiated in the Singapore and Chilean FTAs. ISAC10 also supports the enhanced language leading to the establishment of a system of statutory civil damages and criminal accountability associated with IPR violations.

ISAC10 is pleased with the absence of long transition periods for acceptance of the IPR agreements by Morocco, unlike the ISAC10 concerns about the lengthy transition periods relative to tariff elimination by Morocco on solid wood products.

ISAC-10 also wishes to emphasize the importance it places on the effective enforcement of the IPR obligations within this agreement. The protections promised are of little value to the US wood products industry without the commitment of the Moroccan government to enforce those standards. The proof will rest on the implementation of these standards by those Moroccan regulatory authorities, judicial and administrative agencies that are responsible for enforcement.

*Sanitary and Phytosanitary (SPS) Measures –* The industry representatives of ISAC-10 support the Chapter on SPS and the establishment of an annual forum for the review of SPS issues between the respective countries

*Technical Barriers to Trade (TBT) –* ISAC-10 supports the Chapter on TBT, particularly with respect to transparency in standards development, participation by US entities in the Moroccan standards, technical regulation and conformity assessment processes and mutual recognition or harmonization of conformity assessment bodies between the US and Morocco. The US industry also supports the minimum 60-day response time period for responding to Standards Notifications ISAC-10 is pleased that Morocco has agreed to implement all of the TBT agreement provisions through a transition period not to exceed five years. We encourage the two

governments to take advantage of these provisions allowing for acceleration of technical harmonization between the parties.

**VI. Membership of the Industry Sector Advisory Committee on Lumber and Wood Products (ISAC 10)**

- 1) Lyn Withey - CHAIR  
International Paper Company
- 2) Ernest Altman - VICE CHAIR  
Hardwood Plywood & Veneer Association
- 3) Edward Elias  
APA-The Engineered Wood Association
- 4) John Grunwald  
Representing the Indiana Hardwood Lumberman's Association
- 5) Edward Heidt, Jr.  
The Penrod Company
- 6) Jerry L. Hingle  
Southern Forest Products Association
- 7) Paul Houghland, Jr.  
National Hardwood Lumber Association
- 8) Michael Leahy, Esq.  
Defenders of Wildlife
- 9) Paul E. McKay  
PMG & Associates
- 10) Thomas Searles  
American Lumber Standards Committee
- 11) James A. Taylor  
Representing Tri-State Pole and Piling, Inc.
- 12) Robert Taylor  
Weyerhaeuser
- 13) C. Richard Titus  
Kitchen Cabinet Manufacturers Association