

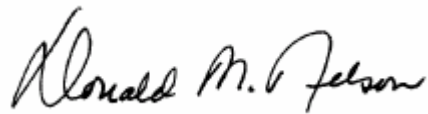
January 30, 2006

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 on Consumer Goods (ITAC-4) on the United States-Peru Trade Promotion Agreement, reflecting consensus on the proposed Agreement.

Sincerely,

A handwritten signature in black ink that reads "Donald M. Nelson, Jr." The signature is written in a cursive style with a large initial 'D'.

Donald M. Nelson, Jr.

Chair, ITAC-4

The United States-Peru Trade Promotion Agreement

Report of the
Industry Trade Advisory Committee on Consumer Goods (ITAC-4)

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Industry Trade Advisory Committee on Consumer Goods (ITAC-4)

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 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 Trade Advisory Committee on Consumer Goods (ITAC-4) hereby submits the following report.

II. Executive Summary of Committee Report

ITAC-4 members endorse The United States-Peru Trade Promotion Agreement's comprehensive nature. We believe the agreement will deliver important benefits to consumer goods firms in terms of market access, regulatory transparency, and customs procedures. Further, we generally support provisions on intellectual property and investment.

III. Brief Description of the Mandate of ITAC-4

The Committee advises the Secretary of Commerce and the USTR concerning the trade matters referred to in Sections 101, 102, and 124 of the Trade Act of 1974, as amended; with respect to the operation of any trade agreement once entered into; and with respect to other matters arising in connection with the development, implementation, and

administration of the trade policy of the United States including those matters referred to in Reorganization Plan Number 3 of 1979 and Executive Order 12188, and the priorities for actions thereunder.

In particular, the committee provides detailed policy and technical advice, information, and recommendations to the Secretary and the USTR regarding trade barriers and implementation of trade agreements negotiated under Sections 101 or 102 of the Trade Act of 1974, as amended, and Sections 1102 and 1103 of the 1988 Trade Act, which affect the products of its sector; and performs such other advisory functions relevant to U.S. trade policy as may be requested by the Secretary and the USTR or their designees.

IV. Negotiating Objectives and Priorities of ITAC-4

“Consumer Goods” covers a wide array of products, including: sporting goods, furniture, appliances, toys, processed foods and beverages, jewelry, household utensils, motorcycles, cleaning products, fisheries products, and power equipment. Consequently, the primary objective for the United States-Peru Trade Promotion Agreement was that of comprehensiveness. ITAC-4 members take particular interest in the following seven aspects of the agreement: market access for industrial goods; market access for agricultural goods; intellectual property; investment; customs procedures; regulatory transparency; and services. Since several of these provisions are identical to those in other FTAs, we will comment only on four aspects of this FTA: market access for goods; market access for agricultural products; services; and intellectual property.

V. Advisory Committee Opinion on Agreement

Market Access

Most of the goods manufactured by ITAC-4 members are classified as industrial products. Market access terms affect both intermediate and finished goods. Eighty percent of U.S. exports of consumer and industrial products to Peru will become duty-free immediately. An additional seven percent will be duty free within five years, with remaining tariffs phased out over ten years. Key U.S. exports will gain immediate duty-free access to Peru. Peru has agreed to allow trade in remanufactured goods. We are extremely pleased that Peru has agreed to recognize Bourbon and Tennessee Whiskey as distinctive products of the United States

Agriculture

The Agreement is said to cover all agricultural products, but details of the actual concessions are apparently not available at this time. It is reported that Peru will provide immediate duty-free access for more than two-thirds of current U.S. agricultural exports. Tariffs on most remaining US agricultural products will be phased out within fifteen years, with all tariffs eliminated in seventeen years.

ITAC-4 includes a number of processed food manufacturers, as well as wine and spirits producers. Further, a number of important industrial products used in the production of consumer goods (like natural alcohols) are classified as agricultural goods. We commend negotiators for the reported improvement in market access for processed foods, many of which will become free of duty upon implementation of the FTA.

Services

As representatives of consumer products industries, distribution services are to the ITAC's members. We are pleased that Peru has agreed to liberalize all distribution services.

Intellectual Property

ITAC-4 members hold some of the world's most valuable trademarks, making intellectual property an important focus. The Committee is pleased that the Agreement applies the principle of "first-in-time, first-in-right" to trademarks and geographical indications, so that the first person who acquires a right to a trademark or geographical indication is the person who has the right to use it. Each government will be required to establish transparent procedures for the registration of trademarks, including geographical indications, and to develop an on-line system for the registration and maintenance of trademarks, as well as a searchable database.

The Peruvian government agreed to criminalize end-user piracy, providing strong deterrence against piracy and counterfeiting. Each government commits to having and maintaining authority to seize, forfeit and destroy counterfeit and pirated goods and the equipment used to produce them. IPR laws will be enforced against goods-in-transit, to deter violators from using U.S. or Peruvian ports or free-trade zones to traffic in pirated products. Ex officio action may be taken in border and criminal IPR cases, thus providing more effective enforcement. The Agreement mandates both statutory and actual damages under Peruvian law for IPR violations, which will deter piracy. Under these provisions, monetary damages can be awarded even if actual economic harm (e.g., retail value or profits made by violators) cannot be determined.

VI. Membership of Committee

Donald Nelson, Altria Corporate Services, Inc., ITAC 4 Chairman
Timothy Hoelter, Harley-Davidson Motor Company, Vice Chairman
Russell Batson, American Furniture Manufacturers Association
Phillip Brandl, National Housewares Manufacturers Association
Jane Earley, National Fisheries Institute
Robert Fay, Incredible Technologies, Inc.
Charles Husick, Vernal Air System
Steven Jacober, School, Home, and Office Products Association

Deborah Lamb, Distilled Spirits Council of the United States
Larry Lasoff, representing the Outdoor Power Equipment Institute, Inc.
Gary Klein, Toy Industry Association
James Marquart, Manufacturing Jewelers & Suppliers of America, Inc.
Patrick McDonough, representing Libbey, Inc.
Joseph McGuire, Association of Home Appliance Manufacturers
Scott Miller, The Procter & Gamble Company
Lynda O'Neill, Knoll
Barclay Resler, Coca Cola Company
Michael Rudowicz, American Amusement Machine Association
Hugh Rushing, Cookware Manufacturers Association
Norman Sharp, Cigar Association of America, Inc.
Mark Smith, representing Brown-Forman Beverages Worldwide
Thomas St. Maxens, representing Mattel, Inc.
Catherine Suttmeier, Oneida Ltd.
John Thompson, Hall China Company
Heather West, Whirlpool Corporation