

**Industry Trade Advisory Committee on Consumer Goods**

April 25, 2007

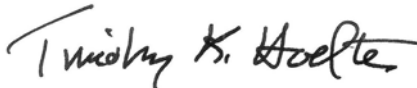
The Honorable Susan C. Schwab  
United States Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20508

Dear Ambassador Schwab:

Pursuant to Section 2104(e) of the Trade Act of 2002 and Section 135(e) of the Trade Act of 1974, as amended, I hereby submit the report of the Industry Trade Advisory Committee on Consumer Goods concerning the proposed U.S.-Panama Trade Promotion Agreement. This report reflects the consensus opinion of Committee members.

I would be grateful if you would share this report with the President and the Congress.

Respectfully submitted,

A handwritten signature in black ink that reads "Timothy K. Hoelter". The signature is written in a cursive style with a long horizontal stroke at the end.

Timothy K. Hoelter  
Chairman

Enclosure

**The United States-Panama 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-Panama Trade Promotion Agreement**

#### **I. Purpose of the Committee Report**

On March 30, 2007, President Bush notified the Congress that he intends to enter into a free trade agreement with the Republic of Panama. 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 must also include an advisory opinion as to whether the agreement provides for equity and reciprocity within the sectoral or functional area represented by the advisory committee.

Pursuant to these statutory 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 support the U.S.-Panama Trade Promotion Agreement and urge the Congress to approve the implementing legislation at the earliest possible date. Committee members welcome in particular the comprehensive nature of the Agreement and are pleased that there are no product exclusions. We are convinced that the Agreement will deliver important benefits to consumer goods firms in terms of improved market access, regulatory transparency, and customs procedures. Further, we generally support the provisions on intellectual property and investment. We unanimously agree that the Agreement promotes the economic interests of the United States, achieves the overall negotiating objectives prescribed in the Trade Act of 2002 and provides for equity and reciprocity within the consumer goods sector.

### **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, 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**

The "consumer goods" category covers a wide array of products and sectors, including: sporting goods, furniture, toys, video games, processed foods and beverages, jewelry, household utensils, cookware, glassware, chinaware, motorcycles, cleaning products, fisheries products, and power equipment. All of these products – and others – are represented by member of ITAC-4. Consequently, the Committee's primary objectives for the United States-Panama Trade Promotion Agreement were that it be a comprehensive agreement encompassing all sub-sectors within the consumer goods category and that it achieve both free and fair trade through the rapid elimination of both tariff and non-tariff barriers.

ITAC-4 members take particular interest in the following seven elements/chapters of the agreement: market access for industrial goods; market access for agricultural goods; intellectual property; investment; customs procedures; regulatory transparency; and services. Since the United States-Panama Trade Promotion Agreement includes several chapter/provisions that are identical or nearly identical to the provisions of other FTAs, our report will address only four aspects of this FTA: market access for industrial goods; market access for agricultural products; services; and intellectual property.

### **V. Advisory Committee Opinion on Agreement**

**Market access for industrial goods:** Most of the goods manufactured by ITAC-4 members are classified as industrial products. The market access terms of interest to Committee members concern both intermediate and finished goods. The Committee is pleased that more than 88 percent of U.S. exports of consumer and industrial products to Panama will be duty-free immediately upon entry-into-force of the Agreement and an additional four percent will be duty-free within five years. Of particular interest to Committee members, safety razors and blades, hair care and skin care products and certain personal care items will become duty-free as soon as the Agreement enters into force. Motorcycles with engine capacities greater than 800 cc's, which currently are

subject to a 15% tariff, will be duty-free after a five-year phase-out period. The Committee notes that the Agreement incorporates a provision that envisions the possibility of accelerating the agreed tariff reductions; the Committee urges the Administration to make use of this provision to secure expedited duty-free treatment for such products as the motorcycles described above.

**Market access for agricultural products:** Some of the consumer goods products represented on the Committee fall within the scope of the agricultural market access provisions of the Agreement. The Committee is pleased that a number of processed foods and beverages will receive duty-free treatment immediately upon the Agreement's entry-into-force, including distilled spirits and wine. The Committee is extremely pleased that Panama has agreed to recognize Bourbon and Tennessee Whiskey as distinctive products of the United States, which will provide important safeguards against adulterated and counterfeit products. The Committee also commends the Administration for negotiating a separate agreement with Panama concerning sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT). This SPS/TBT agreement should streamline documentation requirements for imported processed foods, including products represented by ITAC-4 members.

**Services:** All of the consumer products represented on ITAC-4 are heavily dependent on efficient and modern wholesale and retail distribution services. Panama's commitment to lift restriction on investment in retail trade should have a beneficial effect on access to Panama's consumer goods market.

**Intellectual Property:** ITAC-4 members hold some of the world's most valuable trademarks, making intellectual property an important focus. The Committee is pleased, in particular, that the Agreement will require a broader scope of protection for well-known marks by extending such protection to *dissimilar* goods and services, whether registered or not, provided that the use of the mark with respect to those goods indicates an association between such goods or services and the owner of the trademark, and further provided that the use of the mark in such circumstances would be likely to damage the interests of the trademark owner.

The Committee also is generally 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.

## **VI. Membership of Committee**

Timothy Hoelter, Harley-Davidson Motor Company, Chairman  
Deborah Lamb, Distilled Spirits Council of the United States, Vice Chairman  
Russell Batson, American Home Furnishings Alliance  
Jane Earley, representing National Fisheries Institute  
Robert Fay, representing Merit Industries, Inc.  
Charles Hansen, representing Del Monte Foods

Charles Husick, Vernal Air, Inc.  
Carter Keithley, Toy Industry Association  
Larry Lasoff, representing the Outdoor Power Equipment Institute, Inc.  
James Marquart, representing Manufacturing Jewelers & Suppliers of America, Inc.  
Patrick McDonough, representing Libbey, Inc.  
Scott Miller, Procter & Gamble  
Donald Nelson, representing Altria Corporate Services, Inc.  
Michael Rudowicz, American Amusement Machine Association  
Hugh Rushing, Cookware Manufacturers Association  
Norman Sharp, Cigar Association of America, Inc.  
Mark Smith, Brown-Forman Corporation  
Thomas St. Maxens, representing Mattel, Inc.  
Catherine Suttmeier, Oneida Ltd.  
John Thompson, The Hall China Company