

February 28, 2003

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th 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 of Advisory Committee - Lumber and Wood Products for Trade Policy Matters (ISAC 10)* on Singapore Free Trade Agreement (FTA), reflecting majority and minority opinion on the proposed Agreement.

Sincerely,

Lyn Withey
Chair
ISAC 10

The U.S.-Singapore Free Trade Agreement (FTA)

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

February 2003

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ISAC 10

Advisory Committee Report to the President, the Congress and the United States Trade Representative on Singapore Free Trade Agreement (FTA)

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 of Advisory Committee - Lumber and Wood Products (ISAC 10) hereby submits the following report.

II. Executive Summary of Committee Report

Worldwide elimination of tariffs on wood products is ISAC-10's priority trade objective. In the case of Singapore, tariffs are not an issue since they've been eliminated unilaterally on virtually all wood products. We support the FTA with Singapore as it commits Singapore to bilaterally bind tariffs at zero for all wood products when the FTA goes into effect.

To the extent that the Singapore agreement may serve as a model for a future agreement with ASEAN or other regions, we would support the implicit concept that the elimination of all tariffs on wood products should be accomplished as soon as possible and, to the extent possible, even before the conclusion and implementation of the agreement.

Majority and minority opinions are expressed throughout this report. The minority opinion is in italics and follows directly after the majority opinion in the body of the report. When the Singapore FTA negotiations were launched, the charter and membership of ISAC-10 differed from the current charter and membership. For the U.S.-Singapore FTAs, the negotiating

objectives and priorities were achieved reflecting the advice sought by the U.S. government upon the launching of negotiations. The Charter of ISAC-10 was modified in 2001 allowing an environmental representative to serve as a member. This member may not be in concurrence with the original advice rendered by ISAC-10 when the negotiations were started and those views are designated by italics in the text after the text reflecting inaugural advice to the USG.

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 wood sector that includes sawmills and planing mills, hardwood veneer and plywood, softwood veneer and plywood, and reconstituted 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:

The elimination of global tariffs on wood products remains the overarching priority for the U.S. forest products industry. ISAC-10 supports any bi-lateral, regional or multi-lateral trade negotiations which would advance our core objective of eliminating tariffs on all wood products. The Committee has urged U.S. trade negotiators to avail themselves of the authority provided in the Uruguay Round Agreements Act to pursue the elimination of wood tariffs as an urgent matter whenever opportunities arise.

Without agreements in the Doha Development Round or in regional and bi-lateral trade agreements to achieve total tariff elimination, equitable market opportunities will continue to be denied due to tariff escalation in the wood sector. Tariff escalation undermines the comparative manufacturing advantage of highly productive, internationally competitive exporting industries such as ours with the escalating rates of duty on processed products providing maximum protection to domestic producers of value-added products.

It is the majority opinion of ISAC-10 that USTR fulfilled the instructions originally directed to them by Executive Order 13141 to undertake an environmental review of the impact of the trade provisions of the U.S.-Singapore FTA.

In addition to tariff elimination, the elimination of non tariff barriers is absolutely essential to ensure that the market access benefits of tariff concessions are not offset by existing or new non tariff barriers.

Minority Opinion: Non tariff barriers do not include environmental, safety, labor, or other

standards, however.

Additional ISAC-10 negotiating objectives include:

- **Eliminating foreign subsidies for capacity building.** Subsidies not only give foreign competitors price advantages, they also contribute to building uneconomic/unsustainable capacity which further distorts markets for forest products and increases pressure on forest resources. ISAC-10 data indicate that foreign governments--in both developed and developing countries--are providing substantial funding for building wood production capacity in the absence of normal market justification.

Minority Opinion: U.S. subsidies have the same effects and should also be eliminated.

- **Adoption of standards for treatments for wood borne pests that relate to specific species of wood and the pest risks associated with those species.** Adopting a single, universal prescriptive standard could render the use of wood in some applications uneconomical and impractical.

Minority Opinion: Invasive species are estimated to cost the United States at least \$132 billion per year. A combination of species specific approaches and pathway approaches is the most efficient and effective way to minimize transportation of known as well as unknown invasive species. Due to substantial uncertainties with species invasions, including risks from intentional or unintentional introduction of species whose invasive potential has not been recognized or assessed, an approach based solely on controlling known invasives on a species-by-species basis is insufficient and entails unnecessary risks and management costs. Further, the environmental effects of treatment mechanisms need to be analyzed and considered. Environmentally harmful treatments should not be adopted.

- **Support for the current SPS agreement** negotiated in the Uruguay Round. ISAC-10 would oppose any attempts to renegotiate it.

Minority Opinion: SPS agreement should be strengthened to support a more precautionary, pathway-based approach.

- **Monetary and trade policies that lead to a dollar exchange rate that supports the global competitiveness of U.S. forest products and other manufacturing industries.** The committee has consistently urged that the Administration recognize the devastating effect of inequitable exchange rates on U.S. based manufacturing industries, such as the wood products industry. Provisions of Trade Promotion Authority provide for consultations regarding the potential for exchange rate movements to offset the balance of benefits achieved in trade agreements. The U.S. Treasury should identify countries that manipulate their currencies to gain competitive advantage and pursue actions to end such practices.
- **Rules of origin delineation,** which provides for transformations at the four-digit level of Chapter 44 wood products, regardless of the country of origin of the primary raw material.

- **Mutual recognition of trademark licenses** and that their sovereignty be maintained as a high priority. Counterfeit usage of licensed trademarks can destroy market confidence and in the case of structural wood products provide health and safety concerns to the consumer.
- **International harmonization and mutual recognition of product standards and accreditation procedures.**
- **Eliminating lower environmental standards, and especially illegal logging, as a basis for competition in the forest products industry.** The Committee has expressed particular concern about illegal logging practices and associated illegal border trade in forest products.

V. Advisory Committee Opinion on Agreement

Market Access

The consensus opinion of industry representatives of the Industry Sector Advisory Committee for Lumber and Wood Products (ISAC-10) is to strongly support the FTA with Singapore and opinions on those relevant sections of the agreement follow. The minority views of the environmental representative of ISAC-10 are noted throughout in italics.

Rules of Origin

ISAC-10 is satisfied with the results of the negotiations on rules of origin as drafted in the US/Singapore Free Trade Agreement. ISAC-10 had requested that the rules of origin for the Singapore FTA be based on NAFTA rules of origin. This was achieved. ISAC-10 requests the same approach be taken in subsequent free trade agreements negotiated by USTR.

Intellectual Property Rights; Trademark Licensing

ISAC-10 commends USTR on the results of the negotiations on trademarks as drafted in the US/Singapore Free Trade Agreement. Recognition of trademark sovereignty as well as the enforcement language including criminal proceedings with respect to trademark counterfeiting is particularly significant. The latter describes statutory damages along the entire distribution chain as a deterrent against future infringement. ISAC-10 encourages USTR to use this same text as an initial negotiating position in future free-trade agreements.

International Harmonization of Product Standards and Accreditation Procedures

The US-Singapore FTA addresses these issues by referencing the WTO TBT requirements, encouraging the adoption of internationally recognized standards and conformity assessment procedures. The agreement specifically requests cooperative activity in the APEC community but lacks specific references to other international forums. However, there are also no specific references including time period provisions requiring public notification, international comment or arbitration procedures to changes in the respective national standards or accreditation procedures. Such specific language has been obtained in previous FTA's with Canada, Mexico and Chile. ISAC-10 encourages the addition of such text in future FTA negotiations.

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) Robert Taylor
Weyerhaeuser
- 12) C. Richard Titus
Kitchen Cabinet Manufacturers Association
- 13) Elizabeth Ward
American Forest & Paper Association

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