UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

(Investigation No. TA-2104-18)
U.S.-CENTRAL AMERICA FREE TRADE AGREEMENT:
POTENTIAL ECONOMYWIDE AND SELECTED SECTORAL EFFECTS

AGENCY: United States International Trade Commission

ACTION: Institution of investigation

SUMMARY: Following receipt on November 17, 2004, of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. TA-2104-18, *U.S.-Central America Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*, under section 2104(f) of the Trade Act of 2002 (19 U.S.C. 3804(f)).

BACKGROUND: As requested by the USTR, the Commission will prepare a report as specified in section 2104(f)(2)-(3) of the Trade Act of 2002 (the Trade Act) assessing the likely impact of the U.S. free trade agreement (FTA) with Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua (Central America) on the United States economy as a whole and on specific industry sectors and the interests of U.S. consumers.

Section 2104(f)(2) requires that the Commission submit its report to the President and the Congress not later than 90 days after the President enters into the agreement, which he can do 90 days after he notifies the Congress of his intent to do so. The President notified Congress of his intent to enter into an FTA with Central America on February 20, 2004. At that time, the President also stated that negotiations were under way to integrate the Dominican Republic into the FTA with Central America. That FTA was signed on August 5, 2004, and the Commission provided its report (*U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*, Inv. No. TA-2104-13, publication 3717) on August 27, 2004. A public hearing for that investigation was held on April 27, 2004.

In his letter the USTR stated that the Dominican Republic subsequently (on October 1, 2004) enacted a tax on beverages sweetened with high fructose corn syrup that the United States regards as incompatible with the Dominican Republic's obligations under the signed FTA. He said that as a result of that action he informed Congress on October 1, 2004, that he would not recommend including the Dominican Republic in the legislation to implement the FTA signed on August 5, 2004 if the Dominican tax remained in place, and that the Administration would take steps to move forward with an FTA with the Central American countries. He said that the FTA with the Central American countries "otherwise is the same as the one that the Commission has already assessed" that included the Dominican Republic. In his letter requesting a new Commission report, the USTR asked the Commission to supplement its August 27 report by assessing the likely impact of a free trade agreement with Central America on the United States economy as a whole and on specific industry sectors and the interests of U.S. consumers.

As specified in section 2104(f)(2)-(3) of the Trade Act, the Commission's report will assess the likely impact of the FTA on the United States economy as a whole and on specific industry sectors, including the impact the agreement will have on the gross domestic product, exports and imports, aggregate employment and employment opportunities, the production, employment, and competitive position of industries likely to be significantly affected by the FTA, and the interests of U.S. consumers. In preparing its assessment, the Commission will review available economic assessments regarding the FTA, including literature regarding any substantially equivalent proposed agreement, and provide in its assessment a description of the analyses used and conclusions drawn in such literature, and a discussion of areas of

consensus and divergence between the various analyses and conclusions, including those of the Commission regarding the agreement. Section 2104(f)(2) requires that the Commission submit its report to the President and Congress not later than 90 days after the President enters into an agreement with the five Central American countries.

EFFECTIVE DATE: December 21, 2004

FOR FURTHER INFORMATION CONTACT: James Stamps, Project Leader, Office of Economics (202-205-3227 or *james.stamps@usitc.gov*). For information on the legal aspects of this investigation, contact William Gearhart of the Office of the General Counsel (202-205-3091 or *william.gearhart@usitc.gov*). For media information, contact Peg O'Laughlin (202-205-1819). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202-205-1810).

PUBLIC HEARING: A public hearing in connection with this investigation is scheduled to begin at 9:30 a.m. on January 18, 2005, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, D.C. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade Commission, 500 E Street, SW, Washington, DC 20436, no later than the close of business (5:15 p.m.) on January 4, 2005. In addition, persons appearing should file prehearing briefs (original and 14 copies) with the Secretary by the close of business on January 4, 2005. Posthearing briefs should be filed with the Secretary by the close of business on January 26, 2005. In the event that no requests to appear at the hearing are received by the close of business on January 4, 2005, the hearing will be canceled. Moreover, in the event that there is no hearing, the Commission shall reference in this report relevant testimony from the April 27, 2004 hearing. Any person interested in attending the hearing as an observer or nonparticipant may call the Secretary to the Commission (202-205-1816) after January 10, 2005 to determine whether the hearing will be held.

WRITTEN SUBMISSIONS: In lieu of or in addition to appearing at the public hearing, interested persons are invited to submit written statements concerning the investigation. Submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street SW, Washington, DC 20436. To be assured of consideration by the Commission, written statements related to the Commission's report should be submitted to the Commission at the earliest practical date, and should be received by the close of business on January 26, 2005. All written submissions, including briefs, must conform with the provisions of section 201.8 of the *Commission's Rules of Practice and Procedure* (19 C.F.R. 201.8). Section 201.8 of the rules require that a signed original (or copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential business information (CBI) must be deleted (see the following paragraph for further information regarding CBI). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, *ftp://ftp.usitc.gov/pub/reports/electronic_filing_handbook.pdf*). Persons with questions regarding electronic filing should contact the Secretary (202-205-2000 or edis@usitc.gov).

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By order of the Commission.

Marilyn R. Abbott
Secretary to the Commission

LIST OF SUBJECTS: Central America, tariffs, trade, imports and exports.

Issued: December 21, 2004

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