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Letter to Senate Notifying Intent to Negotiate FTA with Dominican Republic

08/04/2003

The Honorable Ted Stevens
President Pro Tempore
United States Senate
Washington, D.C. 20510

Dear Senator Stevens:

In accordance with section 2104(a)(1) of the Trade Act of 2002 (the Trade Act), and pursuant to authority delegated to me by the President, I am pleased to notify the Congress that the President intends to initiate free trade agreement (FTA) negotiations with the Dominican Republic. We expect these negotiations to get underway in January 2004, and we will be consulting closely with the Congress over the next 90 days regarding these negotiations, as required by the Trade Act.

Through these negotiations, we expect to provide for essentially the same disciplines as those in the FTA we are currently negotiating with the five member countries of the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, hereinafter "Central America"), and to negotiate specific market access commitments with the Dominican Republic.

Recognizing the benefits of strengthening the economic ties among the Dominican Republic, Central America, and the United States, we will seek to integrate the Dominican Republic into the agreement that we are currently negotiating with Central America. We would then work to present the Congress one FTA covering both the Dominican Republic and Central America, provided this would not delay enactment of the Central American agreement. We discussed these matters during our meeting with the Congressional Oversight Group on July 24, and we will be consulting further with the Congress as negotiations progress.

Since 1985, U.S. unilateral trade preferences through the Caribbean Basin Initiative (CBI) have defined the U.S. trade relationship with the Dominican Republic. An FTA with the Dominican Republic will respond to direction from the Congress in the Caribbean Basin Trade Partnership Act to conclude comprehensive, mutually advantageous trade agreements with CBI countries. The Dominican Republic is the largest economy in the Caribbean Basin region and is the largest beneficiary of CBI preferences, accounting for more than one quarter of U.S. imports under the program. An FTA will build on the success of the CBI and expand U.S. access to the Dominican Republic's market, which already receives \$4.3 billion in U.S. exports annually and approximately \$1.4 billion in U.S. investment. The markets of the Dominican Republic and Central America combined would create the second largest U.S. trading partner in Latin America.

The Dominican Republic's relatively open trade and investment regime, augmented by recent fiscal reforms, has made it one of the world's fastest growing economies over the last decade and an economic engine in the Caribbean Basin. It maintains strong trade relations within the Caribbean, including with its neighbor, Puerto Rico, and with Central America, thus serving as an economic bridge within the region. Adding the Dominican Republic as an FTA partner will promote economic growth and further integration in the Caribbean by building on a successful agreement with Central America and by lending further momentum to concluding the Free Trade Area of the Americas (FTAA) negotiations by January 2005.

An FTA will also build on the progress we have made through our bilateral Trade and Investment Council over the last year, where the Dominican Republic has made important efforts to resolve bilateral trade and investment issues. Through this process, the Dominican Republic has become a reliable trade partner in the region and also has worked closely with us to advance common objectives in the World Trade Organization (WTO) and FTAA negotiations. In the course of negotiating an FTA, we intend to pursue further cooperation with the Dominican Republic that will support the U.S. objective of expanding multilateral trade liberalization.

Moreover, an FTA with the Dominican Republic will foster economic growth and create higher paying jobs in the United States by further reducing and eliminating barriers to trade and investment between the Dominican Republic and the United States. For example, an FTA negotiation would enable us to continue to address remaining market access impediments in the Dominican Republic, such as tariffs on agricultural goods, restrictive import licensing practices, inadequate protection of intellectual property rights, in particular for cable broadcasts, and restrictions that the Dominican Republic imposes on U.S. firms to its services market.

An FTA with the Dominican Republic will also enhance our efforts to strengthen democracy and support for fundamental values in the region, such as respect for internationally recognized worker rights and the elimination of the worst forms of child labor, greater respect for the rule of law, sustainable development, and accountable institutions of governance. Strong anti-corruption and transparency requirements in the FTA will help combat corruption.

U.S. industry and agricultural community support for FTA negotiations with the Dominican Republic is strong. The Dominican Republic is an important market for U.S. agricultural, fish, and forestry products, with exports valued at \$625 million in 2002. The Dominican Republic is the eighth largest market for U.S. exports of corn, and the fifth largest market for U.S. soybean meal. The textile and apparel sectors in the United States and the Dominican Republic are highly integrated, with over \$3 billion in two-way trade in 2002. The Dominican Republic imports a substantial amount of U.S. manufactured products, including plastics, electronics, and telecommunications equipment.

Initial consultations with the Congressional Oversight Group and other Members of Congress regarding FTA negotiations with the Dominican Republic have been positive, and we believe that there is broad bipartisan interest in such an agreement. The Administration will continue to consult closely with the Congress, including the Congressional Oversight Group.

Consistent with the Administration's notification regarding FTA negotiations with Central America, our specific objectives for negotiations with the Dominican Republic are as follows:

· *Trade in Goods:*

- Seek to eliminate tariffs and other duties and charges on trade between the Dominican Republic and the United States on the broadest possible basis, subject to reasonable adjustment periods for import-sensitive products.
- Seek to eliminate non-tariff barriers in the Dominican Republic to U.S. exports, including licensing barriers on agricultural products, restrictive administration of tariff-rate quotas, unjustified trade restrictions that affect new U.S. technologies, and other trade restrictive measures that U.S. exporters identify.
- Seek to eliminate government practices that adversely affect U.S. exports of perishable or cyclical agricultural products, while improving U.S. import relief mechanisms as appropriate.
- Pursue a mechanism with the Dominican Republic that will support achieving the U.S. objective in the WTO negotiations of eliminating all export subsidies on agricultural products, and in the FTAA negotiations of eliminating agricultural export subsidies on trade in the Hemisphere, while

maintaining the right to provide *bona fide* food aid and preserving U.S. agricultural market development and export credit programs.

- Pursue fully reciprocal access to the Dominican Republic's market for U.S. textile and apparel products.

- *Customs Matters, Rules of Origin, and Enforcement Cooperation:*

- Seek rules to require that the Dominican Republic's customs operations are conducted with transparency, efficiency, and predictability, and that customs laws, regulations, decisions, and rulings are not applied in a manner that would create unwarranted procedural obstacles to international trade.

- Seek rules of origin, procedures for applying these rules, and provisions to address circumvention matters that will ensure that preferential duty rates under an FTA with the Dominican Republic apply only to goods eligible to receive such treatment, without creating unnecessary obstacles to trade.

- Seek terms for cooperative efforts with the Dominican Republic regarding enforcement of customs and related issues, including trade in textiles and apparel.

- *Sanitary and Phytosanitary (SPS) Measures:*

- Seek to have the Dominican Republic reaffirm its WTO commitments on SPS measures and eliminate any unjustified SPS restrictions.

- Seek to strengthen collaboration with the Dominican Republic in implementing the WTO SPS Agreement and to enhance cooperation with the Dominican Republic in relevant international bodies on developing international SPS standards, guidelines, and recommendations.

- *Technical Barriers to Trade (TBT):*

- Seek to have the Dominican Republic reaffirm its WTO TBT commitments and eliminate any unjustified TBT measures.

- Seek to strengthen collaboration with the Dominican Republic in implementing the WTO TBT Agreement and create a procedure for exchanging information with the Dominican Republic on TBT-related issues.

- *Intellectual Property Rights:*

- Seek to establish standards to be applied in the Dominican Republic that build on the foundations established in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights and other international intellectual property agreements, such as the World Intellectual Property Organization (WIPO) Copyright Treaty, the WIPO Performances and Phonograms Treaty, and the Patent Cooperation Treaty.

- In areas such as patent protection and protection of undisclosed information, seek to have the Dominican Republic apply levels of protection and practices more in line with U.S. law and practices, including appropriate flexibility.

- Seek to strengthen the Dominican Republic's procedures to enforce intellectual property rights, such as by ensuring that Dominican authorities seize suspected pirated and counterfeit goods, equipment used to make such goods or to transmit pirated goods, and documentary evidence.

- Seek to strengthen measures in the Dominican Republic that provide for compensation of right holders for infringements of intellectual property rights and to provide for criminal penalties under Dominican law that are sufficient to have a deterrent effect on piracy and counterfeiting.

- *Trade in Services:*

- Pursue disciplines to address discriminatory and other barriers to trade in the Dominican Republic's services markets. Pursue a comprehensive approach to market access, including any necessary improvements in access to the telecommunications, financial services, energy, and other sectors.

- Seek improved transparency and predictability of Dominican regulatory procedure, specialized disciplines for financial services, and additional disciplines for telecommunication services and other sectors as necessary.

- *Investment:*

- Seek to establish rules that reduce or eliminate artificial or trade-distorting barriers to U.S. investment in the Dominican Republic, while ensuring that Dominican investors in the United States are not accorded greater substantive rights with respect to investment protections than U.S. investors in the United States, and to secure for U.S. investors in the Dominican Republic important rights comparable to those that would be available under U.S. legal principles and practice.

- Seek to ensure that U.S. investors receive treatment as favorable as that accorded to domestic or other foreign investors in the Dominican Republic and to address unjustified barriers to the establishment and operation of U.S. investments in the Dominican Republic. Provide procedures to resolve disputes between U.S. investors and the Dominican Republic that are in keeping with the trade promotion authority goals of being expeditious, fair, and transparent.

- *Electronic Commerce:*

- Seek to affirm that the Dominican Republic will allow U.S. goods and services to be delivered electronically to its market and to ensure that the Dominican Republic does not apply customs duties to digital products or unjustifiably discriminate among products delivered electronically.

- *Government Procurement:*

- Seek to establish rules requiring government procurement procedures and practices in the Dominican Republic to be fair, transparent, and predictable for suppliers of U.S. goods and services that seek to do business with the Dominican Republic.

- Seek to expand access for U.S. goods and services to the Dominican Republic's government procurement market.

- *Transparency/Anti-Corruption/Regulatory Reform:*

- Seek to make the Dominican Republic's administration of its trade regime more transparent, and pursue rules that will permit timely and meaningful public comment before the Dominican Republic adopts trade-related measures.

- Seek to ensure that the Dominican Republic applies high standards prohibiting corrupt practices affecting international trade and enforces such prohibitions.

- *Trade Remedies:*

- Provide a safeguard mechanism during the transition period to allow a temporary revocation of tariff preferences if increased imports from the Dominican Republic are a substantial cause of serious injury or threat of serious injury to the domestic industry.

- Make no changes in U.S. antidumping and countervailing duty laws.

- *Environment:*

- Seek to promote trade and environment policies that are mutually supportive.

- Seek an appropriate commitment by the Dominican Republic to effectively enforce its environmental laws.

- Establish that the Dominican Republic will strive to ensure that it will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in its environmental laws.

- Help the Dominican Republic strengthen its capacity to protect the environment through the promotion of sustainable development, such as by establishing consultative mechanisms.

- *Labor, including Child Labor:*

- Seek an appropriate commitment by the Dominican Republic to effectively enforce its labor laws.

- Establish that the Dominican Republic will strive to ensure that it will not, as an encouragement for trade or investment, weaken or reduce the protections provided for in its labor laws.

- Based upon a review and analysis of its labor law and practices, establish procedures for consultations and cooperative activities with the Dominican Republic to strengthen its capacity to promote respect for core labor standards, including compliance with ILO Convention 182 on the worst forms of child labor, building on technical assistance programs administered by the U.S. Department of Labor.

- *State-to-State Dispute Settlement:*

- Encourage the early identification and settlement of disputes through consultation.

- Seek to establish fair, transparent, timely, and effective procedures to settle disputes arising under the agreement.

In addition, the FTA will take into account other legitimate U.S. objectives including, but not limited to, the protection of legitimate health, safety, environment, essential security, and consumer interests.

We are committed to concluding these negotiations with timely and substantive results for U.S. workers, consumers, businesses, and farmers and will pursue these specific objectives, keeping in mind the overall and principal U.S. negotiating objectives and priorities that the Congress has identified. We look forward to continuing to work with the Congress as negotiations with the Dominican Republic begin, and we commit to work with you as we bring them to a successful conclusion.

Sincerely,

Robert B. Zoellick

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