

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

October 24, 2006

Vilma I. Arbaje
Directora de Comercio Exterior
Secretaria de Estado de Industria y Comercio
Santo Domingo, República Dominicana

Dear Ms. Arbaje:

I am pleased to acknowledge your letter of October 19, 2006, which reads as follows:

"I have the honor to confirm the following understandings reached between our Governments regarding the Dominican Republic – Central America – United States Free Trade Agreement signed on August 5, 2004 (the "Agreement"):

- (1) The Governments of the Dominican Republic and the United States shall consult to determine additional measures to maintain the competitiveness of trouser and suit manufacturers in the Dominican Republic, while at the same time preserving and promoting the use of U.S. fabrics for such garments. Both parties will jointly consult with private sector interests in both countries, and shall conclude the consultation by March 31, 2007.
- (2) Subject to the acceptance by the other Parties to the Agreement of any modifications proposed by the Dominican Republic or the United States as a result of the consultations described in paragraph (1), and after the proposed modifications are approved in accordance with the applicable legal procedures of each of the Parties, the Dominican Republic and the United States shall implement the proposed modifications on a date the Parties shall determine. The Governments of the Dominican Republic and the United States shall seek to implement the necessary modifications to the Agreement as expeditiously as possible.
- (3) After the Agreement enters into force, the United States will propose a modification to the Agreement's rules of origin, pursuant to Article 3.25 of the Agreement. This modification will provide that, if an apparel good contains a pocket or pockets, the pocket bag fabric must be formed and finished in the territory of one or more of the Parties to the Agreement from yarn wholly formed in the territory of one or more of the Parties to the Agreement in

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order for that apparel good to qualify as an originating good under the Agreement (“pocket fabric rule of origin modification”).

- (4) The Dominican Republic is prepared to engage in Article 3.25 consultations immediately after the Agreement enters into force, and will agree to the pocket fabric rule of origin modification in those consultations without condition or delay.
- (5) The application by the Dominican Republic of the pocket bag fabric rule of origin modification will provide a benefit to the United States that satisfies the requirements of Article 3.20.3 of the Agreement.
- (6) In light of the Dominican Republic’s unconditional commitment to agree to the pocket bag fabric rule of origin modification, the United States will provide duty refunds as provided for under Article 3.20.1 of the Agreement with respect to imports of textile or apparel goods of the Dominican Republic that were imported into the United States between January 1, 2004 and the date of entry into force of the Agreement for the Dominican Republic and that satisfy the other requirements of that article.
- (7) After the Agreement enters into force, the Dominican Republic will propose a modification to the Agreement’s rules of origin, pursuant to Article 3.25 of the Agreement. This modification will provide that apparel goods classifiable in tariff items 6202.91.2011 and 6203.39.9020 shall be considered originating goods under the Agreement regardless of the origin of the fibers, yarns, or fabrics used in the production of the component of the good that determines the tariff classification of the good, provided that the good satisfies all other applicable requirements of Chapter Four (Rules of Origin and Origin Procedures) of the Agreement.
- (8) The United States is prepared to engage in Article 3.25 consultations regarding the proposed rule of origin modification described in paragraph (7) immediately after the Agreement enters into force, and will agree to the proposed modification in those consultations without condition or delay.
- (9) After the Agreement enters into force, the Dominican Republic will propose a modification pursuant to Article 22.2 of the Agreement. This modification will provide that:
 - (a) for nonoriginating goods classifiable in tariff items 6202.11.00, 6203.31.90, 6203.33.10, 6203.41.18, 6203.42.40, 6203.43.30, and 6204.62.40, the duty rate to be

applied by the United States shall be 0.5 percentage points lower than its MFN rate of duty (for example, if the MFN duty were 20.0 percent, the United States would apply a duty of 19.5 percent), and

- (b) for nonoriginating goods classifiable in tariff items 6203.12.2020, 6203.43.40, and 6204.63.35, the duty rate to be applied by the United States shall be 2.0 percentage points lower than its MFN rate of duty (for example, if the MFN duty were 20.0 percent, the United States would apply a duty of 18.0 percent),

provided that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of a Party and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and paragraph (3) above.

- (10) The United States is prepared to engage in consultations regarding the proposed modification described in paragraph (9) immediately after the Agreement enters into force, and will agree to the proposed modification in those consultations without condition or delay.
- (11) Subject to the acceptance of the proposed modifications described in paragraphs (3), (7), and (9) by the other Parties to the Agreement, and after the proposed modifications are approved in accordance with the applicable legal procedures of each of the Parties, the Dominican Republic and the United States shall implement the proposed modifications on a date the Parties shall determine.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments.”

I have the honor to confirm that the understandings referred to in your letter are shared by my Government, and that your letter and this reply shall constitute an agreement between our two Governments.

Sincerely,



Scott D. Quesenberry
Special Textile Negotiator



REPUBLICA DOMINICANA
Secretaría de Estado de Industria y Comercio
Santo Domingo, Distrito Nacional
"Año de la Generación de Empleos"

Courtesy Translation

October 19, 2006

Mr. Scott D. Quesenberry
Special Textile Negotiator
Office of the United States Trade Representative
600 Seventeenth Street, N.W.
Washington, DC 20508

Dear Mr. Quesenberry:

I have the honor to confirm the following understandings reached between our Governments regarding the Dominican Republic - Central America - United States Free Trade Agreement signed on August 5, 2004 (the "Agreement"):

- (1) The Governments of the Dominican Republic and the United States shall consult to determine additional measures to maintain the competitiveness of trouser and suit manufacturers in the Dominican Republic, while at the same time preserving and promoting the use of U.S. fabrics for such garments. Both parties will jointly consult with private sector interests in both countries, and shall conclude the consultation by March 31, 2007.
- (2) Subject to the acceptance by the other Parties to the Agreement of any modifications proposed by the Dominican Republic or the United States as a result of the consultations described in paragraph (1), and after the proposed modifications are approved in accordance with the applicable legal procedures of each of the Parties, the Dominican Republic and the United States shall implement the proposed modifications on a date the Parties shall determine. The Governments of the Dominican Republic and the United States shall seek to implement the necessary modifications to the Agreement as expeditiously as possible.
- (3) After the Agreement enters into force, the United States will propose a modification to the Agreement's rules of origin, pursuant to Article 3.25 of the Agreement. This modification will provide that, if an apparel good contains a pocket or pockets, the pocket bag fabric must be formed and finished in the territory of one or more of the Parties to the Agreement from yarn wholly formed in the territory of one or more of the Parties to the Agreement in order for that apparel good to qualify as an originating good under the Agreement ("pocket fabric rule of origin modification").
- (4) The Dominican Republic is prepared to engage in Article 3.25 consultations immediately after the Agreement enters into force, and will agree to the pocket fabric rule of origin modification in those consultations without condition or delay.

Av. México Esq. Leopoldo Navarro, Edif. Oficinas Gubernamentales "Juan Pablo Duarte" 7mo. Piso.
Tel.: (809) 685-5171 • Fax: (809) 685-4741



REPUBLICA DOMINICANA

Secretaría de Estado de Industria y Comercio

Santo Domingo, Distrito Nacional
"Año de la Generación de Empleos"

- (5) The application by the Dominican Republic of the pocket bag fabric rule of origin modification will provide a benefit to the United States that satisfies the requirements of Article 3.20.3 of the Agreement.
- (6) In light of the Dominican Republic's unconditional commitment to agree to the pocket bag fabric rule of origin modification, the United States will provide duty refunds as provided for under Article 3.20.1 of the Agreement with respect to imports of textile or apparel goods of the Dominican Republic that were imported into the United States between January 1, 2004 and the date of entry into force of the Agreement for the Dominican Republic and that satisfy the other requirements of that article.
- (7) After the Agreement enters into force, the Dominican Republic will propose a modification to the Agreement's rules of origin, pursuant to Article 3.25 of the Agreement. This modification will provide that apparel goods classifiable in tariff items 6202.91.2011 and 6203.39.9020 shall be considered originating goods under the Agreement regardless of the origin of the fibers, yarns, or fabrics used in the production of the component of the good that determines the tariff classification of the good, provided that the good satisfies all other applicable requirements of Chapter Four (Rules of Origin and Origin Procedures) of the Agreement.
- (8) The United States is prepared to engage in Article 3.25 consultations regarding the proposed rule of origin modification described in paragraph (7) immediately after the Agreement enters into force, and will agree to the proposed modification in those consultations without condition or delay.
- (9) After the Agreement enters into force, the Dominican Republic will propose a modification pursuant to Article 22.2 of the Agreement. This modification will provide that:
- (a) for nonoriginating goods classifiable in tariff items 6202.11.00, 6203.31.90, 6203.33.10, 6203.41.18, 6203.42.40, 6203.43.30, and 6204.62.40, the duty rate to be applied by the United States shall be 0.5 percentage points lower than its MFN rate of duty (for example, if the MFN duty were 20.0 percent, the United States would apply a duty of 19.5 percent), and
- (b) for nonoriginating goods classifiable in tariff items 6203.12.2020, 6203.43.40, and 6204.63.35, the duty rate to be applied by the United States shall be 2.0 percentage points lower than its MFN rate of duty (for example, if the MFN duty were 20.0 percent, the United States would apply a duty of 18.0 percent),

provided that the goods are cut or knit to shape, and sewn or otherwise assembled, in the territory of a Party and that the goods meet the conditions for originating goods in Chapter Rules 1 (subject to the limitation in the second sentence of Chapter Rule 2), 3, and 4 for Chapter 62 in Annex 4.1 of the Agreement and paragraph (3) above.



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- (10) The United States is prepared to engage in consultations regarding the proposed modification described in paragraph (9) immediately after the Agreement enters into force, and will agree to the proposed modification in those consultations without condition or delay.
- (11) Subject to the acceptance of the proposed modifications described in paragraphs (3), (7), and (9) by the other Parties to the Agreement, and after the proposed modifications are approved in accordance with the applicable legal procedures of each of the Parties, the Dominican Republic and the United States shall implement the proposed modifications on a date the Parties shall determine.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments.

Sincerely,

Vilma I. Arbaja
Directora de Comercio Exterior
Secretaría de Estado de Industria y Comercio

cc:

The Honorable Amparo Pacheco, Vice Minister of Foreign Trade of Costa Rica
The Honorable Eduardo Ayala, Vice Minister of Foreign Trade of El Salvador
The Honorable Enrique Lacs, Vice Minister of Economy of Guatemala
The Honorable Jorge Rosa, Vice Minister of Industry and Trade of Honduras
The Honorable Julio Teran, Vice Minister of Trade of Nicaragua