

TRADUCCIÓN DE CORTESÍA

May 31, 2007
DVI-0045-7

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 clarification of the understandings reached between our Governments regarding the Dominican Republic – Central America – United States Free Trade Agreement signed on August 5, 2004 (the "Agreement") and reflected in our letter of December 1, 2006:

- (1) 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").
- (2) Costa Rica 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.
- (3) The application by Costa Rica 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.
- (4) In light of Costa Rica'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 Costa Rica that were imported into the United States between January 1, 2004 and the date of entry into force of the Agreement for Costa Rica and that satisfy the other requirements of that article.
- (5) After the Agreement enters into force, Costa Rica will propose a modification to the Agreement's rules of origin, pursuant to Article 3.25 of the Agreement. This modification will provide that:
 - (a) apparel items classifiable in tariff items 6102.20, 6102.90.9005, 6104.12.0010, 6104.13.20, 6104.19.15, 6104.19.8010, 6104.19.8060, 6104.22.0010, 6104.29.2010, 6104.32, 6104.39.2010, 6112.11.0020,

6113.00.9020, or 6117.90.9040 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, except for the requirements provided for in Chapter Rules 1, 3, and 4 for Chapter 61 of the Harmonized System in Annex 4.1 of the Agreement and in the rule described in paragraph (1) above; and

- (b) apparel items classifiable in tariff items 6202.12.20, 6202.19.9010, 6202.91.2011, 6202.92.15, 6202.92.2010, 6202.92.2026, 6202.92.2031, 6202.92.2061, 6202.92.2071, 6202.93.45, 6202.99.9011, 6203.39.9020, 6204.12.0010, 6204.13.20, 6204.19.20, 6204.19.8010, 6204.19.8060, 6204.22.3010, 6204.23, 6204.29, 6204.32, 6204.33.20, 6204.39.80, 6205.20.2016, 6205.30.2010, 6209.20.1000, 6210.30.9020, 6210.50.9050, 6211.20.1540, 6211.20.5810, 6211.41.0055, 6211.42.0040, 6211.42.0075, or 6217.90.9025, 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, except for the requirements provided for in Chapter Rules 1, 3, and 4 for Chapter 62 of the Harmonized System in Annex 4.1 of the Agreement and in the rule described in paragraph (1) above; and
 - (c) apparel items of the type subject to the amendment described in paragraph (6) below shall be considered originating goods under the Agreement, regardless of whether they comply with the requirements provided for in Chapter Rules 1, 3, and 4 for Chapter 62 of the Harmonized System in Annex 4.1 of the Agreement and in the rule described in paragraph (1) above.
- (6) After the Agreement enters into force, Costa Rica will propose an amendment to Appendix 4.1-B of the Agreement, pursuant to Article 22.2 of the Agreement. This amendment will provide that the limit in paragraph 3 of Appendix 4.1-B shall not apply to the following products made from wool fabric: men's and boys' and women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts. This amendment shall not apply to products made of carded wool fabric or made from wool yarn having an average fiber diameter of less than or equal to 18.5 microns.
 - (7) After the Agreement enters into force, Costa Rica will propose a further amendment to the Agreement, pursuant to Article 22.2 of the Agreement. This amendment will:
 - (a) Amend paragraph 1 of Annex 3.27 of the Agreement to provide that the United States will apply no customs duties, rather than a rate of duty of 50

percent of the MFN duty, to goods qualifying for preferential tariff treatment as described in Annex 3.27.

- (b) Amend paragraph 4 of Annex 3.27 of the Agreement to provide that the treatment described in Annex 3.27 shall apply for each of the first ten years after the date of entry into force of the Agreement for Costa Rica.
 - (c) Amend the Agreement to provide that the United States shall apply the applicable rate of duty set out in its Schedule to Annex 3.3 to the following products made from wool fabric: men's and boys' and women's and girls' suits, trousers, suit-type jackets and blazers, vests, and women's and girls' skirts, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are cut and sewn or otherwise assembled, in the territory of Costa Rica. This treatment shall apply to a maximum of 500,000 square meter equivalents (SME) per year in each of the first ten years after the Agreement enters into force for Costa Rica. This amendment shall not apply to products made of carded wool fabric or made from wool yarn having an average fiber diameter of less than or equal to 18.5 microns.
 - (d) Goods made from carded wool fabric or wool yarns having an average fiber diameter of less than or equal to 18.5 microns shall be applied against the limit in subparagraph (a) above. All products that are eligible under both subparagraphs (a) and (c) shall be applied first to subparagraph (c) above until such limit is reached and then shall be applied against the limit in subparagraph (a) above.
 - (e) Amend paragraph 5 of Annex 3.27 of the Agreement to provide that Costa Rica and the United States shall consult 18 months before the expiration of the treatment provided for in Annex 3.27, as amended, regarding the operation of that Annex and the treatment described in subparagraph (c) above, as well as the availability of wool fabric in the region, with a view to the renewal of this provision.
- (8) After the Agreement enters into force, Costa Rica will propose an amendment to the Agreement, pursuant to Article 22.2 of the Agreement. This amendment will provide:
- (a) Subject to the provisions of subparagraph (b), for women's knit swimwear that is specially designed to accommodate post mastectomy breast prostheses, containing two full size interior pockets with side openings, two preformed cups, a supporting elastic band below the breast, and vertical center stitching to separate the two pockets, the United States shall apply the applicable rate of duty set out in its Schedule to Annex 3.3, if such goods meet the applicable conditions for preferential tariff treatment other than the condition that they be originating goods, and are both cut or knit to shape, and sewn or otherwise assembled, in the territory of Costa Rica.

- (b) The treatment described in subparagraph (a) shall be limited as follows:
 - (i) in the first year after the Agreement enters into force for Costa Rica, 100,000 SME;
 - (ii) in the second year, 106,000 SME;
 - (iii) in the third year, 112,360 SME;
 - (iv) in the fourth year, 119,102 SME;
 - (v) in the fifth year, 126,248 SME; and
 - (vi) in each of the sixth through the tenth years, 133,823 SME each.
 - (c) Costa Rica and the United States shall consult 18 months before the expiration of such treatment regarding the operation of this provision and the availability of the relevant yarns and fabrics in the region, with a view to the renewal of this provision.
- (9) The United States is prepared to engage in consultations regarding the proposed modifications described in paragraphs (5) through (8) immediately after the Agreement enters into force, and will agree to the proposed modifications in those consultations without condition or delay.
- (10) Subject to the acceptance of the proposed modifications described in paragraphs (1), (5), (6), (7), (8), 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, Costa Rica 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,

Amparo Pacheco
Vice-Minister of Foreign Trade

cc:

The Honorable Marcello Puello, Vice Minister of Trade of the Dominican Republic
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 Orlando Salvador Solorzano, Vice Minister of Trade of Nicaragua