



April 5, 2004

The Honorable Robert B. Zoellick  
United States Trade Representative  
600 17<sup>th</sup> 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 Advisory Committee on Building Products and Other Materials for Trade Policy Matters (ISAC-9) on the United States-Morocco Free Trade Agreement, reflecting a consensus advisory opinion on the proposed Agreement.

Sincerely,

A handwritten signature in black ink that reads 'Stephen P. Farrar'. The signature is written in a cursive style with a large, prominent 'S'.

Stephen P. Farrar  
Chair  
ISAC-9

April 5, 2004

**INDUSTRY SECTOR ADVISORY COMMITTEE ON BUILDING PRODUCTS  
AND OTHER MATERIALS FOR TRADE POLICY MATTERS (ISAC-9)**

**Advisory Committee Report to the President, the Congress and the United States Trade  
Representative on the United States-Morocco Free Trade Agreement**

**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 principal 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 Advisory Committee on Building Products and Other Materials (ISAC-9) hereby transmits the following report.

**II. Executive Summary of Committee Report**

ISAC-9 concludes that the U.S.-Morocco Free Trade Agreement promotes the economic interests of the United States and achieves the negotiating objectives set forth in the Trade Act of 2002. All of the priority issues of ISAC-9 have been satisfactorily addressed.

**III. Brief Description of the Mandate of ISAC-9**

The mandate of ISAC-9 is to provide advice and information on trade policy and trade negotiations issues that affect the building products and related products sector. These issues include market access problems; barriers to trade; tariff levels; discriminatory foreign procurement practices; information, marketing and advocacy needs of the sector; and other important trade issues. The building products and other materials sector includes such items as wood buildings, mobile homes, cement, miscellaneous metal products, builders' hardware, plumbing fittings and supplies, and heating equipment. The building products and other materials sector saw exports in excess of \$6 billion in 2000, and shipment values over \$192 billion.

The ISAC on Building Products and Other Materials and its members have provided advice on a range of issues that have included: recent negotiations on the North American Free Trade Agreement (NAFTA); the World Trade Organization (WTO); the Asia Pacific Economic Cooperation (APEC); the Organization for Economic Cooperation and Development (OECD); trade relations with China, the Philippines, Eastern Europe, and the former Soviet Union; trade and labor issues; and environmental agreements.

#### **IV. Negotiating Objectives and Priorities of ISAC-9**

The members of ISAC-9 support the President's trade strategy of negotiating free trade agreements with a wide range of countries. In the absence of a new multilateral trade agreement under the WTO, this strategy will help overcome the competitive disadvantage U.S. exporters and investors face abroad due to the many existing bilateral and regional trade agreements in which this country is not a participant. The strategy may even create some additional leverage among other WTO members for concluding a multilateral agreement. ISAC-9 advocates the following objectives and priorities in negotiating free trade agreements:

- Coverage. ISAC-9 has advocated adhering to the WTO requirement that free trade agreements include "substantially all" trade between the parties.
- Staging of Tariff Elimination. ISAC-9 is concerned with the large disparity in tariff rates for building products between the United States and most other countries (see attached table). For this reason, ISAC-9 has urged U.S. negotiators to consider carefully competitive conditions before agreeing to schedules for the phase-out of tariffs in a free trade agreement.
  - ISAC-9 advocates early opening of foreign markets for U.S. building products that compete in export markets.
  - At the same time, for certain building products where foreign competition is intense, such as ceramic tile (where imports account for 80% of the U.S. market), an extended adjustment period is essential to ensure that the U.S. industry is able to remain competitive.
- Rules of Origin. Unless rules of origin are properly specified, trade agreements can have serious unintended consequences that disadvantage U.S. exporters. ISAC-9 has advocated that all trade agreements include sector-specific rules of origin at least as rigorous as those contained in the North America Free Trade Agreement.
- Standards. Product standards and related licensing, testing, marking, product descriptions, and other technical regulation issues have become major barriers to U.S. exports of building products.

#### **V. Advisory Committee Opinion on Agreement**

ISAC-9 concludes that the U.S.-Morocco Free Trade Agreement promotes the economic interests of the United States achieves the primary objectives set forth in the Trade Act of 2002.

- Staging of Tariff Elimination. The U.S.-Morocco Free Trade Agreement appears to have provided a sufficient tariff phase-out period to allow sufficient time for import-sensitive building materials to adjust to increased foreign competition. However, ISAC-9 is disappointed with the slow phase-out of Morocco's tariff rates for products that are not even manufactured in Morocco. For example, Morocco's 50% duty on aluminum screen (Harmonized Code 7616.91) would be phased out over 8 years, while the U.S. duty (2.5%) would be eliminated immediately. Since Morocco does not produce aluminum screening or any similar products, ISAC-9 believes duty elimination should be achieved immediately.
- Rules of Origin. Because U.S. exporters depend on clear and uniform rules of origin, ISAC-9 would have preferred more sector-specific rules of origin such as those incorporated in the Free Trade Agreements with Chile and CAFTA.

- Standards. The Committee supports the provisions in the Agreement for cooperation on technical regulations, standards, and conformity assessment procedures – including the creation of Chapter 7 coordinators. Standards and related licensing, testing, marking, product descriptions, and other technical regulation issues are major barriers to U.S. exports of building products.

## **VI. Membership of Committee**

<b>FIRST NAME</b>	<b>LAST NAME</b>	<b>TITLE</b>	<b>COMPANY/ORGANIZATION</b>
<b>Chairman</b> Mr. Stephen	Farrar	Director, International Business	Guardian Industries Corp.
Mr. Kent	Sorensen	President and Chief Executive Officer	American Homes International, Inc.
Mr. Robert	Bell	Director of Governmental Affairs	USG Corporation
Mr. John	Bruce	Howrey & Simon	Representing Tile Council of America
Ms. Barbara	Higgins	Executive Director	Plumbing Manufacturers Institute
Mr. K. Gordon	Lawless	President, Almerica Overseas, Inc.	Representing Phifer Wire Products, Inc.
Mr. Marcus	Lyons	International Manager	American Cast Iron Pipe Company
Mr. Anthony	Mudford	Vice President	Detex Corporation
Mr. Robert	Randall	President and CEO	TRACO
Mr. Charles	Santomeno	President	Isolatek International

Attachment: Comparative Tariff Rates for Building Products

Attachment to ISAC-9 Comments  
On US-Morocco Free Trade Agreements

**Comparative Tariff Rates on Imports of Building Products**

April 2004

<u>HTS Code</u>	<u>Product</u>	<u>USA (2004)</u>	<u>CHINA</u>	<u>BRAZIL</u>	<u>INDIA</u>
5903.1020	PVC coated Fabrics	0.0% (duty-free)	21% 17% VAT +AMCF	30% 18% VAT	20%
6907.90	Unglazed Ceramic Tile	10%	25% 17% VAT	13.5% 18% VAT	20%
6908.90	Glazed Ceramic Tile	8.5%	45% 17% VAT	15.5% 18% VAT	20%
7605.2900	Aluminum Wire	4.2%	8% 17% VAT	13.5% 18% VAT	
7610.1000.10	Aluminum Windows	5.7%	30% 17% VAT	17.5% 18% VAT	
7616.9100	Aluminum Screens	2.5%	14% 17% VAT	15.5% 18% VAT	
7019.5290	Fiberglass Screens	7.0%	14% 17% VAT	13.5% 18% VAT	20%
9406.0040 9406.0080	Prefab Bldg.Parts (Container)	2.6% (wood) 2.9% (other)	18% 17% VAT 12.7% AMCF	16.75% 18% VAT	20%
7005.10	Float Glass	4.4%	18% 17% VAT	11.5% 18% VAT	20%
7019.3910.10	Batts of Fiberglass	4.9%	14% 17% VAT	13.5% 18% VAT	20%
6806.10	Insulation Components	3.9%	11 % 17% VAT	9.5% 18% VAT	20%
3816.00	Insulation Components	3%	10 % 17 % VAT	15.5% 18% VAT	20%
8301.4060.30	Door Locks	5.7%	18 % 17 % VAT	17.5% 18% VAT	20%
8481.8010	Copper faucets, etc.	4.0%	12 to 18 % 17 % VAT	14% 18% VAT	20%
7307.1100	Pipe Fittings (cast iron)	4.8%	8.3 % 17% VAT	15.5% 18% VAT	20%
7308.1000	Bridge Sections	0.0% (duty-free)	10% 17% VAT	14.75% 18% VAT	20%
7303	Cast Iron Pipe	0.0% (duty-free)	8 to 12 % 17% VAT	13.5% 18% VAT	20%
6809.11	Gypsum Board	0.0% (duty-free)	28% 17% VAT	23% 18% VAT	20%

VAT = Value added Tax. Duties are usually applied to product value plus value-added tax.

AMCF = Additional mandatory customs fees; such as customs clearance fees, document handling fees, phytosanitary certificates, fumigation, transportation to fumigation station.