



MINISTERIO DE ECONOMIA
REPUBLICA DE EL SALVADOR C. A.

*

January 27, 2006

Mr. Scott D. Quesenberry
Special Textile Negotiator
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Mr. Quesenberry:

I have the honor to confirm the following understandings reached between our Governments regarding Article 3.20 (Refund of Customs Duties) and Article 3.25 (Rules of Origin and Related Matters) of the Dominican Republic – Central America – United States Free Trade Agreement signed on August 5, 2004 (the “Agreement”):

- (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) El Salvador 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 El Salvador of the pocket 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 El Salvador’s unconditional commitment to agree to the pocket 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 El Salvador that were imported into the United States between January 1, 2004 and the date of entry into force of the Agreement for El Salvador and that satisfy the other requirements of that article.
- (5) After the Agreement enters into force, El Salvador will propose a modification to the Agreement’s rules of origin, pursuant to Article 3.25 of the Agreement. This

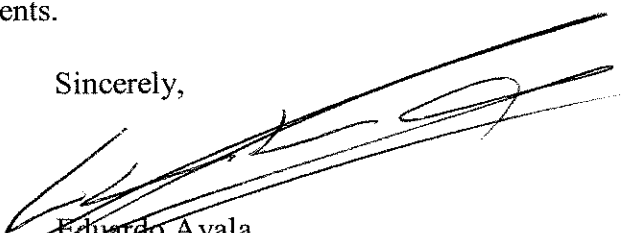
modification will provide that infant dresses classified in tariff item 6209.20.1000, women's and girls' cotton coats in textile category 335, and women's and girls' man-made fiber suits in textile category 644 shall be considered originating goods under the Agreement regardless of the origin of the 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.

- (6) The United States is prepared to engage in Article 3.25 consultations regarding the proposed rule of origin modification described in paragraph (5) immediately after the Agreement enters into force, and will agree to the proposed modification in those consultations without condition or delay.
- (7) Subject to the acceptance of the proposed modifications described in paragraphs (1) and (5) 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, El Salvador and the United States shall implement the proposed modifications on a date the Parties shall determine.

Pursuant to Articles 3.20.2 and 3.20.3 of the Agreement, this letter provides notice that El Salvador will not comply with Article 3.20.1 of the Agreement and that El Salvador will instead provide a benefit, in the form of the pocket fabric rule of origin modification, that our two Governments consider to satisfy the requirements of Article 3.20.3 of the Agreement.

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,



Eduardo Ayala
Vice Minister of Economy

cc:

Ms. Doris Osterlof, Vice Minister of Foreign Trade of Costa Rica
Mr. Marcello Puello, Vice Minister of Trade of the Dominican Republic
Mr. Enrique Lacs, Vice Minister of Economy of Guatemala
Mr. Jorge Rosa, Vice Minister, Industry and Trade of Honduras
Mr. Julio Teran, Vice Minister of Trade of Nicaragua

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

January 27, 2006

Mr. Eduardo Ayala
Vice Minister of Economy
Republic of El Salvador
San Salvador, El Salvador

Dear Vice Minister Ayala:

I am pleased to acknowledge your letter of today's date, which reads as follows:

"I have the honor to confirm the following understandings reached between our Governments regarding Article 3.20 (Refund of Customs Duties) and Article 3.25 (Rules of Origin and Related Matters) of the Dominican Republic – Central America – United States Free Trade Agreement signed on August 5, 2004 (the "Agreement"):

- (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) El Salvador 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 El Salvador of the pocket 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 El Salvador's unconditional commitment to agree to the pocket 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 El Salvador that were imported into the United States between January 1, 2004 and the date of entry into force of the Agreement for El Salvador and that satisfy the other requirements of that article.
- (5) After the Agreement enters into force, El Salvador will propose a modification to the Agreement's rules of origin, pursuant to Article 3.25 of the Agreement. This modification will provide that infant dresses classified in tariff item 6209.20.1000, women's and girls' cotton coats in textile category 335, and women's and girls' man-made fiber suits in textile category 644 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.

- (6) The United States is prepared to engage in Article 3.25 consultations regarding the proposed rule of origin modification described in paragraph (5) immediately after the Agreement enters into force, and will agree to the proposed modification in those consultations without condition or delay.
- (7) Subject to the acceptance of the proposed modifications described in paragraphs (1) and (5) 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, El Salvador and the United States shall implement the proposed modifications on a date the Parties shall determine.

Pursuant to Articles 3.20.2 and 3.20.3 of the Agreement, this letter provides notice that El Salvador will not comply with Article 3.20.1 of the Agreement and that El Salvador will instead provide a benefit, in the form of the pocket fabric rule of origin modification, that our two Governments consider to satisfy the requirements of Article 3.20.3 of the Agreement.

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

cc:

Ms. Doris Osterlof, Vice Minister of Foreign Trade of Costa Rica
Mr. Marcello Puello, Vice Minister of Trade of the Dominican Republic
Mr. Enrique Lacs, Vice Minister of Economy of Guatemala
Mr. Jorge Rosa, Vice Minister, Industry and Trade of Honduras
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