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## ***CAFTA Confab Said Closer To Rules of Origin Provision***

By Kristi Ellis

WASHINGTON - U.S. trade officials negotiating the Central America Free Trade Agreement in Houston this week have apparently reached a partial decision on the legality of a controversial provision affecting rules of origin, according to sources familiar with the talks.

The U.S. reportedly concluded the concept of "cumulation" is legal under the rules of the World Trade Organization and therefore can be negotiated in the CAFTA talks, sources said. However, U.S. officials stressed in Houston they have not decided whether they support or oppose the concept, according to the sources.

Cumulation is a lightning rod issue put forward by the Central Americans that seeks to allow companies to use fiber, yarn or fabric inputs in apparel production in the region from any country that has a free-trade deal with the U.S. or Central America, such as Jordan, Mexico and sub-Saharan Africa, and receive duty-free entry into the U.S.

U.S. officials reportedly said in Houston that all six CAFTA signatories must have free-trade pacts with the same country they want to include in the cumulation provision, the sources said. That would currently limit cumulation to Chile and Mexico.

In addition, U.S. officials have not determined whether cumulation can be applied on a product-specific basis or whether it would cover other industries, which would add another layer of complexity.

U.S. trade officials did not respond for comment by press time.

The U.S. decision on cumulation will most likely not please domestic textile groups, which are fighting to limit the rules of origin to U.S.-only fiber, fabric and yarns. Nor will it get the nod from importers, which are seeking the broadest use of inputs outside of the region.

If apparel companies in the region are limited to using fiber, fabric and yarns from the U.S., the five Central American countries - Nicaragua, Guatemala, Costa Rica, El Salvador and Honduras - and Mexico or Chile, the trade deal would not be as commercially viable as it would be if all U.S. free-trade partners were included, according to importer, apparel manufacturer and retailer associations.

"Erik Autor, vice president and international trade counsel at the National Retail Federation, said, "The more restrictive cumulation is, the less useful it will be. We want a cumulation provision that has commercial meaning and anything short of that objective is disappointing."

Charles Bremer, vice president of international trade at the American Textile Manufacturers Institute, said, "Cumulation is inviting other countries along for a free ride and we are opposed to it. We call cumulation a derogation of the principle of a free-trade agreement."

The eighth round of CAFTA talks ends in Houston today and some formal announcement could come by Friday. Negotiators have left many other sensitive apparel and textile issues until the ninth and expected final round of talks reportedly scheduled for December in Washington.

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