

The U.S.-Chile Free Trade Agreement (FTA)

Report of the

Industry Sector Advisory Committee on Aerospace Equipment for Trade Policy Matters

February 2003

February 25, 2003

The Industry Sector Advisory Committee on Aerospace Equipment for Trade Policy Matters report to the President, the Congress, and the United States Trade Representative on the U.S.-Chile 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 principle 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 those requirements, ISAC 1 hereby submits the following report.

II. Executive Summary of the Committee Report

ISAC 1 supports the negotiated text of the U.S.-Chile Free Trade Agreement.

III. Brief Description of the Mandate of ISAC 1

The Industry Sector Advisory Committee on Aerospace Equipment for Trade Policy Matters (ISAC 1) consists of approximately 16 members representing the U.S. aerospace industry. Its members are drawn from the major airframe, engine, general aviation, electronics, equipment, space vehicle, and satellite manufacturers.

ISAC 1 advises the Secretary and the USTR concerning the trade matters referred to in Sections 101, 102, and 124 of the Trade Act of 1974, as amended; with respect to the operation of any trade agreement once entered into; and with respect to other matters arising in connection with the development, implementation, and administration of the trade policy of the United States including those matters referred to in Reorganization Plan Number 3 of 1979 and Executive Order 12188, and the priorities for actions there under.

ISAC 1 provides detailed policy and technical advice, information, and recommendations to the Secretary and the USTR regarding trade barriers and implementation of trade agreements negotiated under Sections 101 or 102 of the Trade Act of 1974, as amended, and Sections 1102 and 1103 of the 1988 Trade Act, which affect the products of its sector; and performs such other advisory functions relevant to U.S. trade policy as may be requested by the Secretary and the USTR or their designees.

In particular, ISAC 1 prepares Advisory Committee Reports as set forth in [STAT.1012] (e). This Report is required under section 135 (e) (1) of the Trade Act of 1974 regarding any trade agreement entered into under section 2103(a) or (b) of this Act shall be provided to the President, the Congress, and the USTR no later than 30 days after date on which the President notifies the Congress under section 2103 (a)(1) or 2105 (a) (1)(A) of the President's intention to enter into the agreement.

IV. Negotiating Objectives and Priorities of the ISAC 1

Trade is critical to the economic growth and strength of the United States and to its leadership in the world. Stable trading relationships promote security and prosperity. As the industrial sector that contributes most to a positive balance of trade—aerospace—it is absolutely vital to the future of the members comprising ISAC 1 and their highly-skilled employees, and thousands of suppliers across the United States that an effective, rules-based trading system be continued.

One of the key priorities of ISAC is found in Article 2 of The Agreement on Trade in Civil Aircraft of 1979, which states:

"Signatories agree to eliminate by 1 January 1980, or by the date of entry into force of this Agreement, all customs duties and other charges of any kind levied on, or in connection with, the importation of products, classified for customs purposes under their respective tariff headings listed in the Annex, if such products are for use in a civil aircraft and incorporation therein, in the course of its manufacture, repair, maintenance, rebuilding, modification or conversion."

Another key negotiating objective and priority for ISAC 1 is to ensure that the current disciplines on aerospace subsidies in the Subsidies and Countervailing Measures Agreement are not weakened. Inclusion of the provision in that agreement was an important achievement of the Uruguay Round. Therefore, consistent with Section 135 (c) of the Uruguay Round Agreements Act (Public Law 103-465)—the United States must “maintain vigorous and effective disciplines on subsidies practices with respect to civil aircraft products under the WTO Agreement on Subsidies and Countervailing Measures.”

V. Advisory Committee Opinion on Agreement

Under the agreement, it appears that tariffs on all aerospace products will go to zero on January 1, 2004. Currently, Chilean tariffs on imports of manufactured goods from the

United States, including aerospace products, are six percent. The U.S.-Chile Free Trade Agreement provides for equity and reciprocity in the aerospace sector.

Based on the information available, ISAC 1 believes that this agreement advances one of our key objectives—the elimination of tariffs on aerospace equipment—and, therefore, supports the agreement as written.