

The U.S.-Bahrain Free Trade Agreement

Report of the

Industry Trade Advisory Committee on Aerospace Equipment (ITAC 1)

July 2004

July 9, 2004

The Industry Trade Advisory Committee on Aerospace Equipment reports to the President, the Congress, and the United States Trade Representative on the U.S.-Bahrain 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, ITAC 1 hereby submits the following report.

II. Executive Summary of the Committee Report

ITAC 1 supports the negotiated text of the U.S.-Bahrain Free Trade Agreement. As with virtually all U.S. negotiated FTAs, additional economic growth is anticipated. The result of such economic expansion is an enhanced ability of a country to acquire both commercial and military aerospace equipment. Furthermore, aircraft engines and their parts, as well as other aerospace parts, all of which currently carry a 5% duty, will be eliminated when the agreement enters into force. Commercial aircraft frames already have a zero tariff under the current tariff schedule.

III. Brief Description of the Mandate of ITAC 1

The Industry Advisory Committee on Aerospace Equipment (ITAC 1) currently consists of 18 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.

ITAC 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.

ITAC 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, ITAC 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 ITAC 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 ITAC 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 ITAC 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 ITAC 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

Based on the information available, ITAC 1 supports the U.S.-Bahrain Free Trade Agreement as written. This includes the understanding that aircraft engines and their parts, as well as other aerospace parts, all of which currently carry a 5% duty, will be eliminated when the agreement enters into force. (Commercial aircraft frames already have a zero tariff under the current tariff schedule.)

VI. Membership of the Committee

Mr. Gregory Dole, Chair
Ms. Susan Walsh, Vice Chair
Mr. David Bateman
Mr. Glenn Beyer, Jr.
Mr. Mark Bitterman
Mr. Ed Bullard
Mr. Neil Clark
Mr. Dennis Curley
Mr. John Grisik
Mr. Woolf Gross
Ms. Tania Hanna
Mr. Joel Johnson
Mr. Richard Kirkland
Ms. Linda Sadler
Mr. Gregg Spendlove
Mr. Courtney Stadd
Mr. Barry Valentine
Mr. Liam Weston