

**The U.S.-Korea Free Trade Agreement**

**Report of the**

**Industry Trade Advisory Committee for Aerospace Equipment (ITAC 1)**

**April 2007**

April 25, 2007

**The Industry Trade Advisory Committee for Aerospace Equipment report to the President, the Congress, and the United States Trade Representative on the U.S.-Korea 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**

Based on the review by the members of the available materials, a consensus was reached within ITAC 1 that it should support the negotiated text of the U.S.-Korea Free Trade Agreement. Members believe that it is a WTO-consistent and a high quality agreement in terms of its coverage and liberalization level. With current two-way trade in 2006 already at more than \$70 billion, our membership believes that an FTA with Korea would be one of the most important agreements reached by the United States since the Uruguay Round was concluded. Nearly 95 percent of bilateral trade in industrial and consumer goods would become duty free within three years of implementation.

Because Korea is already our seventh largest trading partner and sixth largest agriculture market, it is a critical destination for U.S. exports of goods and services that support American jobs. A comprehensive and commercially meaningful FTA with Korea that encompasses U.S. products, sectors, and services will further boost U.S. exports to this vital market and bring tangible economic benefits to U.S. consumers, farmers, workers, and businesses. Additional trade between the two countries will raise GDP in both. An increase in GDP is expected to ultimately translate into greater air travel by the citizens of each nation and an increase in demand for aircraft and engines.

Moreover, for more than fifty years, Korea and the United States have been strategic allies. Korea has also been a strong partner in the global war on terror. An FTA will further solidify our political and security partnership in the region.

ITAC 1 has reached a consensus: Congress should approve the U.S.-Korea Free Trade Agreement.

### **III. Brief Description of the Mandate of ITAC 1**

The Industry Trade Advisory Committee for Aerospace (ITAC 1) currently consists of 19 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 review of the available text, a consensus was reached within ITAC 1 that is supports the U.S.-Korea Free Trade Agreement as written.

#### **VI. Membership of the Committee**

Mr. Gregory Dole  
Ms. Susan Walsh  
Mr. Glenn Beyer, Jr.  
Mr. Mark Bitterman  
Mr. Ed Bullard  
Mr. Peter Bunce  
Mr. Neil Clark  
Mr. D. Patrick Curley  
Ms. Debi Davis  
Mr. Richard Douglas  
Mr. Mark Esper  
Mr. Woolf Gross  
Mr. Joel Johnson  
Mr. Richard Kirkland  
Ms. Linda Sadler  
Mr. Gerald Sherm  
Mr. Gregg Spendlove  
Mr. Courtney Stadd  
Mr. Liam Weston

