

**INDUSTRY SECTOR ADVISORY COMMITTEE ON
AEROSPACE EQUIPMENT
FOR TRADE POLICY MATTERS**

March 5, 2004

The Honorable Donald Evans
Secretary
Department of Commerce
Fourteenth and Constitution Avenue, NW
Washington, DC

Ambassador Robert Zoellick
United States Trade Representative
600 Seventeenth Street, NW
Washington, DC

RE: U.S.-Central America Free Trade Agreement

Dear Secretary Evans and Ambassador Zoellick:

Pursuant to Section 2104 (e) of the Trade Act of 2002 and Section 135 (e) of the Trade Act of 1974, as amended, I am pleased to transmit the report of the Industry Sector Advisory Committee on Aerospace Equipment for Trade Policy Matters (ISAC 1) on the U.S.-Central America Free Trade Agreement, reflecting our consensus advisory opinion on the proposed agreement and our support for Congressional approval.

We appreciate the diligence and professionalism of your staffs in the negotiating of this agreement.

Sincerely,

Gregory S. Dole
Chairman, ISAC 1

The U.S.-Central America Free Trade Agreement (CAFTA)

Report of the

**Industry Sector Advisory Committee on Aerospace Equipment for Trade Policy
Matters (ISAC 1)**

March 2004

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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.-Central America Free Trade Agreement.

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.-Central America Free Trade Agreement (CAFTA). The agreement includes the following Central American countries: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Although the agreement does not directly affect the interests of the U.S. aerospace industry to the extent of other recently notified free trade agreements, the ISAC supports Congressional approval. 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.

III. Brief Description of the Mandate of ISAC 1

The Industry Sector Advisory Committee on Aerospace Equipment for Trade Policy Matters (ISAC 1) currently consists of 13 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

Based on the information available, ISAC 1 supports the U.S.-Central America 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. Neil Clark
Mr. John Grisik
Mr. Woolf Gross
Mr. Joel Johnson
Mr. Richard Kirkland
Ms. Linda Sadler
Mr. Gregg Spendlove
Mr. Barry Valentine