



EXPORT AEROSPACE NEWS

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BOEING AND PAKISTAN INTERNATIONAL AIRLINES SIGN \$1.5 BILLION PURCHASE AGREEMENT

On Nov. 14, 2002, Commerce Deputy Secretary Samuel W. Bodman witnessed the signing of a \$1.5 billion purchase agreement between The Boeing Company and Pakistan International Airlines (PIA) officials. The agreement, signed at the Department of Commerce, was for the purchase of eight Boeing 777 airplanes that will be delivered between 2004 and 2008.

“Trade between the United States and Pakistan is important to the creation of jobs and the health of our economies,” said Bodman. “This agreement is a significant boost in the growing relationship between our two countries.”

Joining Deputy Secretary Bodman were Pakistan’s Ambassador to the United States Ashraf Jehangir Qazi, Pakistan Secretary of Defense and Chairman of Pakistan International Airlines Corporation Hamid Nawaz Khan, U.S. Senator Samuel Brownback, and Boeing Senior Vice Presidents Doug Groseclose and Rudy De Leon.

For more information, contact Deborah Semb at (202) 482-0677, or via e-mail at deborah_semb@ita.doc.gov.



Photograph of Deputy Secretary Bodman (center, rear), Deputy Assistant Secretary Bogosian (second from left), and Pakistani government, PIA, and Boeing officials.

For information, industry links, and our newsletter on-line, check out the Office of Aerospace Web site at www.ita.doc.gov/aerospace.



The Office of Aerospace has an upcoming APLC in which U.S. aerospace companies are invited to participate: Paris Air Show 2003.

For more information on this event, please access our office Web site at www.ita.doc.gov/aerospace or contact Tony Largay at (202) 482-6236.

For information on opportunities to introduce your company to new export markets, please contact our office.

U.S. AEROSPACE EXECUTIVE TRADE MISSION TAKES 23 DELEGATES TO VIETNAM

U.S. Department of Commerce Assistant Secretary for Trade Development Linda M. Conlin led an Aerospace Executive Trade Mission to Hanoi and Ho Chi Minh City, Vietnam, Aug. 25–30, 2002. It was fitting that the first U.S. government trade mission to follow the enactment of the U.S.-Vietnam Bilateral Trade Agreement (BTA) should feature the aerospace industry, because on the same day the BTA was enacted (Dec. 10, 2001), Vietnam Airlines bought four Boeing 777 aircraft. The mission introduced U.S. aerospace executives to senior Vietnamese government and industry officials and explored emerging opportunities in the rapidly growing Vietnamese aerospace market.

The trade mission was comprised of 23 delegates, including 15 executives from 13 companies representing several small and medium-sized enterprises as well as some

of the largest U.S. aerospace corporations. The mission also included three senior representatives from the FAA who explored future partnerships with Vietnam's civil aviation authorities.

Mission members received insights into Vietnam's long-term aviation infrastructure development plans, including information on improvements slated for both Hanoi and Ho Chi Minh City airports, Vietnam Airlines' plans for fleet expansion, opportunities in the areas of maintenance and repair, and the possibility of negotiating a bilateral air services agreement. Those who participated left Vietnam with the means and knowledge to establish mutually beneficial long-term relationships.

For more information, contact Mara Yachnin at (202) 482-6238, or mara_yachnin@ita.doc.gov.



Assistant Secretary Linda M. Conlin extends appreciation to Nguyen Xuan Hien, CEO of Vietnam Airlines, for meeting with the U.S. Aerospace Trade Mission.

AIRPORTS TRADE MISSION TO SOUTH AFRICA A SUCCESS

The Office of Aerospace and the U.S. Commercial Service in South Africa organized an Airports Executive Trade Mission to Johannesburg and Durban, South Africa, Oct. 14–18, 2002. The mission was led by Deputy Assistant Secretary for Transportation and Machinery Joseph Bogosian and consisted of eight executives from six U.S. companies meeting with eight different airport management teams throughout the Gauteng and KwaZulu-Natal provinces.

During the five-day trip, the mission delegates were briefed by municipal and airport management company decision makers, representing both public and private regional and international airports throughout South Africa. One-on-one meetings were arranged in advance for those delegates who focused on security and weather-related software equipment. Discussions with the Airports Company of South Africa (ACSA) were es-

pecially productive for the mission members, who are now aware of, tracking, and competing for various South African aerospace procurements with the assistance of the Office of Aerospace.

The trade mission members returned to the United States eager to continue working with the Department of Commerce on future trade missions and specific South African aerospace opportunities. One U.S. company learned of, competed for, and won a contract to provide South Africa with airport digital video security equipment, with the likelihood for a similarly valued follow-on contract award as the result of dialogues during and after the trade mission. The effort was an example of great teamwork on the part of the Office of Aerospace, the Commercial Service in South Africa, and the company. For more information, contact Karen Dubin at (202) 482-3786, or karen_dubin@ita.doc.gov.



DAS Joseph H. Bogosian (first from right, rear), accompanied by Office of Aerospace staff member Karen Dubin (third from right, front), Commercial Officer Wanda Barquin (second from right, rear), and Commercial Specialist Johan Van Rensburg (third from left, rear), meets with Oribi Airport project management team in Pietermaritzburg.



For the latest aerospace trade leads, policy news, and trade events, be sure to check out the Office of Aerospace Web site at

www.ita.doc.gov/aerospace.

Our Web site is also a great resource for viewing trade agreements and statistics, or linking to industry publications, associations, and companies.

EUROPEAN AIRPORT INFRASTRUCTURE WORKSHOP

The Office of Aerospace and the American Association of Airport Executives (AAAE) co-sponsored the Ninth Annual U.S./Eastern European Airport Infrastructure Workshop in Istanbul, Turkey, in November 2002. This workshop attracted more than 150 U.S. airport businessmen and 30 foreign delegations.

The purpose of this program is to promote the export of aviation and airport-related U.S. products and services

by providing direct contacts and meaningful dialogue between aviation companies and international aviation/airport officials. In turn, this gives U.S. business executives an edge in growing aviation/airport markets overseas.

For more information, contact Tony Largay, (202) 482-6236, or anthony_largay@ita.doc.gov.

PRESIDENTIAL DIRECTIVE: ASSESS DEFENSE TRADE POLICY

The White House asked U.S. government agencies to conduct a comprehensive review of defense trade policy and recommend changes that will maximize our nation's military capabilities through a strong U.S. defense industrial base and international cooperation. The Office of Aerospace is participating in this review, called for in National Security Presidential Directive 19. It

specifically tasks the Commerce Department to review defense trade advocacy and identify foreign market access barriers that impede industrial cooperation with our allies. Led by the Bureau of Industry and Security, the Commerce Department is consulting with industry on potential recommendations.

FARNBOROUGH AIR SHOW HELD JULY 22–28, 2002

Under Secretary for International Trade Grant Aldonas was the highest-ranking Commerce Department official to attend the Farnborough Air Show, held outside of London, July 22–28, 2002. Under Secretary Aldonas met with numerous U.S. and foreign industry and government officials to better understand the issues facing U.S. firms exporting overseas. At the show, U.S. aerospace companies announced approximately \$9 billion in firm orders for U.S. aircraft and other aviation equipment for future delivery.

During the 2002 show, there were 1,260 exhibitors from 32 countries and more than 290,000 visitors in attendance. The Commerce Department's Office of Aerospace sponsored an Aerospace Product Literature Center (APLC) during the show. The APLC had 57 U.S. aerospace companies and generated more than 900 trade leads. The next APLC of the Office of Aerospace will be at the 2003 Paris Air Show, in June 2003.

For more information, contact Tony Largay at (202)482-6236, or anthony_largay@ita.doc.gov.

AEROSPACE TRADE MISSION TO AUSTRALIA AND NEW ZEALAND

Deputy Assistant Secretary Joseph Bogosian will lead an Executive Aerospace Trade Mission to Australia and New Zealand from April 27 to May 3, 2003. The mission will include representatives from U.S. aerospace firms interested in increasing business opportunities in these two countries.

Mission participants will stop in Auckland, New Zealand, and Sydney and Melbourne, Australia, to meet with both government and private sector decision-makers responsible for procurement of aerospace products. Both countries' current trade and investment climates are very attractive to U.S. aerospace companies,

especially in the wake of the financial crises affecting many countries in the region.

Export prospects for U.S. companies include airborne early warning and control systems, air navigation systems, avionics, military hardware, air terminal communications systems, terminal/airline security systems, aircraft and aircraft parts, air traffic control systems, and helicopters and parts.

Mission recruitment will take place until March 31, 2003. For more information, contact Sean McAlister, (202) 482-6239, or sean_mcalister@ita.doc.gov.

SPACE CONFERENCE TO BE HELD FEB. 19, 2003

The Space Foundation, *Space News*, and the U.S. Department of Commerce, in association with the Satellite Industry Association, will present a conference, Space at the Crossroads, on Feb. 19, 2003, in the U.S. Commerce Department's Hoover Building auditorium in Washington, D.C.

Space at the Crossroads will be a highly focused conference, organized to discuss critical issues affecting national security and commercial and civil space activities. Speakers and panelists will include senior government officials, leaders from throughout the military and space community, and industry executives.

This event will provide a single-day space industry "snapshot" for congressional, administration, and agency staff and managers, and the aerospace and defense contractor community.

Panels include:

- Space and Homeland Security: Can Policy Match the Capabilities?
- The National Aerospace Initiative: Where NASA and DoD Meet?
- The 100-Day Report Card: U.S. Strategic Command and U.S. Northern Command Assess Their Status
- Missile Defense: The Strategic Dimension of Homeland Defense
- Research and Development: Technology Gaps on the Road to Future Exploration.

Advance registration (by Feb. 12, 2003) is \$199 (\$149 for government employees).

Registration after Feb. 12 (or on-site registration the day of the conference) is \$249 (\$179 for government employees).

To register for this special event, call (800) 692-4000, or register on-line at www.crossroads.org.

100 YEARS OF FLIGHT CELEBRATED

It was on Dec. 17, 1903, that the Wright brothers made history and ushered in the age of flight. Orville Wright flew the first powered heavier-than-air machine 120 feet for 12 seconds, in Kitty Hawk, N.C. To celebrate the Wright brothers' accomplishments, the United States and the rest of the world celebrated the centennial of flight, with a kickoff event held in Washington, D.C., on Dec. 17, 2002. "Centennial of Flight: Born of Dreams—Inspired by Freedom" is the national campaign celebrating a century of aviation stories and accomplishments.

The campaign will encourage the values that characterize flight's 100 years of history, ingenuity, inventiveness, creativity, and courage. The United States Congress, the U.S. Air Force, and other state agencies have numerous events planned for the centennial throughout the United States. For more information, visit the Centennial of Flight's Web site:

www.centennialofflight.gov.

SPACE AT THE CROSSROADS





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INTERNATIONAL STANDARDS FOR SPACE SYSTEMS

On Dec. 5, 2002, the American Institute of Aeronautics and Astronautics (AIAA) and the U.S. Advisory Group for the Subcommittee on Space Systems and Operations (ISO/TC20/SC14) co-sponsored an executive seminar on space sector standards, in Redondo Beach, Calif. Office of Aerospace space industry analyst Kim Wells provided keynote remarks, offering insight into current U.S. Department of Commerce efforts to address international standards issues.

The global space marketplace has become more competitive and more volatile. The increasing numbers of international competitors and the current slowdown in demand for communications satellites have contributed to this condition. In this new environment, national or regional regulatory requirements for products and services to be exported or imported can create trade barriers. Standards embodied in national or regional regulations can be crafted to either facilitate or impede market access, leading to extensive ramifications on product testing and design. ISO (International Organization for Standardization) standards take priority over regional standards in many countries and thus can play an important role. It therefore becomes a critical endeavor for every competitive developer/industry in a competing country to participate actively in the process that develops these standards.

Space sector standards have been based on military standards, and driven by the needs of customers. As the commercial use of space (primarily for communications satellites) has grown and become more international, there has been a demand for a set of international non-government standards. Most of these standards are developed through the ISO Technical Committee on Aircraft and Space Vehicles (TC20) and often

are based on prevailing U.S. practices.

ISO/TC20/SC14 was established in 1992 and currently has more than 100 projects under way. About one-third of the resulting papers and applications are published and in use. The broad topics addressed by this significant family of standards relate to both the design and manufacture of space systems as well as their operational use. These topics include pressure vessels, solar cell calibration, contamination control, spacecraft to launch vehicle interfaces, ground support equipment, space environment models, product assurance, risk management, oxygen safety, and materials compatibility.

The seminar addressed several issues specifically affecting the commercial space sector, and it encouraged U.S. companies to become more involved in the U.S. Advisory Group to the ISO.

Further details about the seminar and information on participating in the U.S. Advisory Group are available from the AIAA West Coast office at elizabethc@aiaa.org.

COMMITTEE ON TRADE IN CIVIL AIRCRAFT MEETS

On Nov. 13, 2002, the Committee on Trade in Civil Aircraft of the World Trade Organization (WTO) held its semi-annual meeting at WTO headquarters in Geneva, Switzerland. Committee members are representatives of countries like the United States that are signatories to the WTO Agreement on Trade in Civil Aircraft.

In an effort to improve transparency, the committee adopted procedures for the circulation and derestriction of documents, aligning its procedures with those applicable to other WTO documents. Acting on a proposal from the United States, the committee also agreed to “derestrict” the historical documents of the committee back to 1980, when the aircraft agreement entered into force. Committee members will continue sharing trade statistics on aerospace products by providing the information to the WTO Secretariat electronically, facilitating its access through the WTO Web site.

In addition, the committee discussed various aircraft-related trade matters, such as the status of the Agreement on Trade in Civil Aircraft under the WTO; “end-use” customs administration, including a revised proposal concerning the definition of “civil” versus “military” aircraft based on initial certification; interim duty-free treatment of aircraft ground maintenance simulators; the Convention on International Interests in Mobile

Equipment; and the Protocol on Matters Specific to Aircraft Equipment. The United States also raised certain activities by other signatories that might result in market distortions, such as government support for Airbus aircraft development and marketing.

As of December 2002, there were 30 signatories to the aircraft agreement: Bulgaria, Canada, the European Union (except Finland), Egypt, Estonia, Georgia, Japan, Latvia, Lithuania, Macau, Malta, Norway, Romania, Switzerland, Taiwan, and the United States. Although Albania and Croatia had committed to become parties upon their accession to the WTO in 2001, neither has formally accepted the agreement. Oman has agreed to become a party within three years of accession.

Twenty-six other WTO members and two WTO accession candidates, the Russian Federation and Saudi Arabia, have observer status in the committee. The International Monetary Fund as well as UNCTAD are also observers.

For more information, contact Heather Pederson, Office of Aerospace, at (202) 482-6234, or via e-mail at heather_pederson@ita.doc.gov.

THE UNIDROIT CONVENTION

The lack of modern international rules for the secured financing of high-value mobile equipment, such as aircraft and aircraft engines, are significant factors that increase the cost of financing for purchasers of that equipment. International interest in reducing risk and establishing standardized rules covering financing and leasing of this equipment led to the passage of the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on Aircraft Equipment (the Cape Town treaties or UNIDROIT) in November 2001.

Ratification of the treaties by the United States and other countries and establishment of an international aircraft registry is expected to lead to reductions in risk and subsequent reductions in the cost of aircraft and aircraft engine financing.

The U.S. Congress is expected to ratify the Cape Town

treaties in the first half of 2003.

Office of Aerospace (OA) staff have met with U.S. industry representatives to discuss the benefits of early ratification of UNIDROIT in the United States and other countries. During the Trans-Atlantic Business Dialogue meetings in November 2002, OA officials discussed with EU government and industry officials their mutual interest in international ratification of the Cape Town treaties. During a WTO Aircraft Committee meeting held in November 2002, OA and EU officials agreed to work together to ensure international ratification. During the 2003 Paris Air Show, the OA plans to offer a seminar on the benefits of the Cape Town treaties.

For more information, contact Deborah Semb at (202) 482-0677, or deborah_semb@ita.doc.gov.

SLOW PROGRESS ON FLIGHT TRAINING ISSUES

U.S. flight schools report that new security requirements for foreign national applicants are causing significant loss of business as students and employers increasingly turn to competitors overseas, where over half the world's flight simulators are located. Also affected are export sales of U.S. general aviation and business aircraft manufacturers, whose customers depend on pilot training for their new acquisitions.

New security clearance requirements contained in the 2001 Aviation and Transportation Security Act (ATSA) resulted in the ongoing suspension of all initial flight training while the Department of Justice (DOJ) develops procedures to accept security clearance requests from foreign applicants.

Licensed pilots seeking recurrent training also are required by the ATSA to obtain a security clearance. Given that total suspension of all flight training for foreign nationals in the United States would lead to severe consequences for the aviation and aerospace

industries, the DOJ granted a general waiver (i.e., "advanced consent") for recurrent training until replaced, in June 2002, by a new expedited process requiring only that flight schools notify the DOJ of enrollments by e-mail.

Industry members argue that applying the new regulation to licensed pilots does not meaningfully contribute to U.S. aviation security. They note that foreign pilots who need security clearances for recurrent training on flight simulators often arrive in this country by flying commercial aircraft for scheduled carriers. In part to address this concern, the Senate passed a bill in November 2002 to amend the ATSA and eliminate the security clearance requirement for any alien who holds an FAA-type rating or foreign equivalent. The House, however, did not pass the bill before the last Congress ended, effectively killing the legislation.

For more information, contact Evan Foster at (202) 482-6235, or evan_foster@ita.doc.gov.

TECHNICAL ASSISTANCE SEMINAR IN MOSCOW IN THE PLANNING

The Office of Aerospace and the Office of the U.S. Trade Representative (USTR) are requesting U.S. Trade and Development Agency funding to sponsor a technical assistance seminar in Moscow, tentatively scheduled for Feb. 11–12, 2003.

The objective of the seminar is to answer Russian government officials' questions and concerns regarding tariff elimination as called for in the WTO Agreement on Trade in Civil Aircraft (ATCA). The United States has requested that Russia sign the ATCA as part of Russia's accession to the WTO. This would provide market access and fair and open competition, by binding Russian tariffs on aircraft and parts to zero.

The government of Russia considers aircraft among its most sensitive sectors for liberalization (the other two being autos and agriculture). Russia's 20-percent tariff on imports of aircraft is the highest in the world, making foreign aircraft prohibitively expensive for Russian airlines. The Russian government is under extreme pressure from domestic aircraft manufacturers to keep Russia's market closed to aircraft imports as it seeks to revive its ailing industry.

Russia is potentially a multibillion dollar aircraft market, as thousands of obsolete aircraft need to be replaced

with modern, fuel-efficient aircraft that meet international noise standards. Recognizing that the Russian government is under pressure to protect its domestic industry, U.S. government officials have argued that a revitalization program based on trade restrictions would only hamper Russian industry's ability to attract international partners and investment. The needs of the Russian aircraft sector also must be balanced by the needs of Russia's airline sector. Russia stands alone in the world in levying large tariffs on aircraft imports, putting Russian airlines at a disadvantage vis-a-vis their international competitors.

During WTO accession negotiations between the United States and Russia, Russian officials have raised concerns about implementation of the ATCA and requested technical assistance. Specifically, they have questions about "dual-use" issues (what is military vs. what is civil aircraft), as well as potential customs fraud. A team of U.S. officials from the USTR, Commerce Department, Customs Service, and FAA have developed a technical assistance program that covers these issues.

For more information, contact Heather Pederson at (202) 482-6234, or heather_pederson@ita.doc.gov.

FINAL REPORT OF THE COMMISSION ON THE FUTURE OF THE U.S. AEROSPACE INDUSTRY

On Nov. 18, 2002, the Commission on the Future of the U.S. Aerospace Industry issued its final report to President Bush and to Congress, recommending actions and policy reforms to improve the competitiveness of the U.S. aerospace industry. Four commissioners met with Commerce Secretary Evans, Deputy Secretary Bodman, and other senior Commerce leadership on Nov. 19 to discuss the commission's recommendations and possible follow-up activities.

On Dec. 12, 2002, Commerce Under Secretary Aldonas and representatives of six other federal agencies met with 21 members of the Aviation and Space Stakeholders Coalition to review the Aerospace Commission report and

develop an action plan for implementation. Government and Stakeholders Coalition representatives will meet in January 2003 to develop lists of priority issues for attention, and will meet in February 2003 to begin developing a joint government-industry consensus on action items.

The Commerce Department contributed to the work of the Aerospace Commission through testimony, including remarks by Deputy Secretary Bodman during public meetings hosted by the department. Office of Aerospace staff assisted in developing the commission's recommendations, posting the final report on the Office of Aerospace Web site.

AEROSPACE PRODUCT LITERATURE CENTER AT ZHUHAI AIR SHOW

The Office of Aerospace (OA) continues to focus efforts on expanding U.S. opportunities in China. Towards that goal, OA recruited 14 companies to participate in the Aerospace Product Literature Center (APLC) at the Zhuhai Air Show, held Nov. 4-7, 2002. Company literature was on display at the U.S. Commercial Service booth, where visitors were able to pick it up and leave their contact information. There were 115 registered business visitors, and 229 trade leads collected. In addition, 26 U.S. companies exhibited separately at the air show.

Another avenue through which U.S. companies have the opportunity to explore the Chinese market is the U.S.-China Joint Commission on Commerce and Trade (JCCT), Aviation and Airport Infrastructure subgroup. Commerce Deputy Assistant Secretary for

Transportation and Machinery Joseph Bogosian and China's Civil Aviation Administration's Department of Planning Director General Wang Zhi, as co-chairmen of the commission, are required to agree on a host of joint activities for the annual work plan. The 2002 work plan activities were successfully completed, and an ambitious program for 2003 activities has been agreed on by the principals.

U.S. industry is encouraged to generate business-interest activities, consider sponsoring events, or otherwise participate in our JCCT subgroup activities for 2003. For more information, please contact Vicki Heilman at (202) 482-4230, or via e-mail at vicki_heilman@ita.doc.gov.



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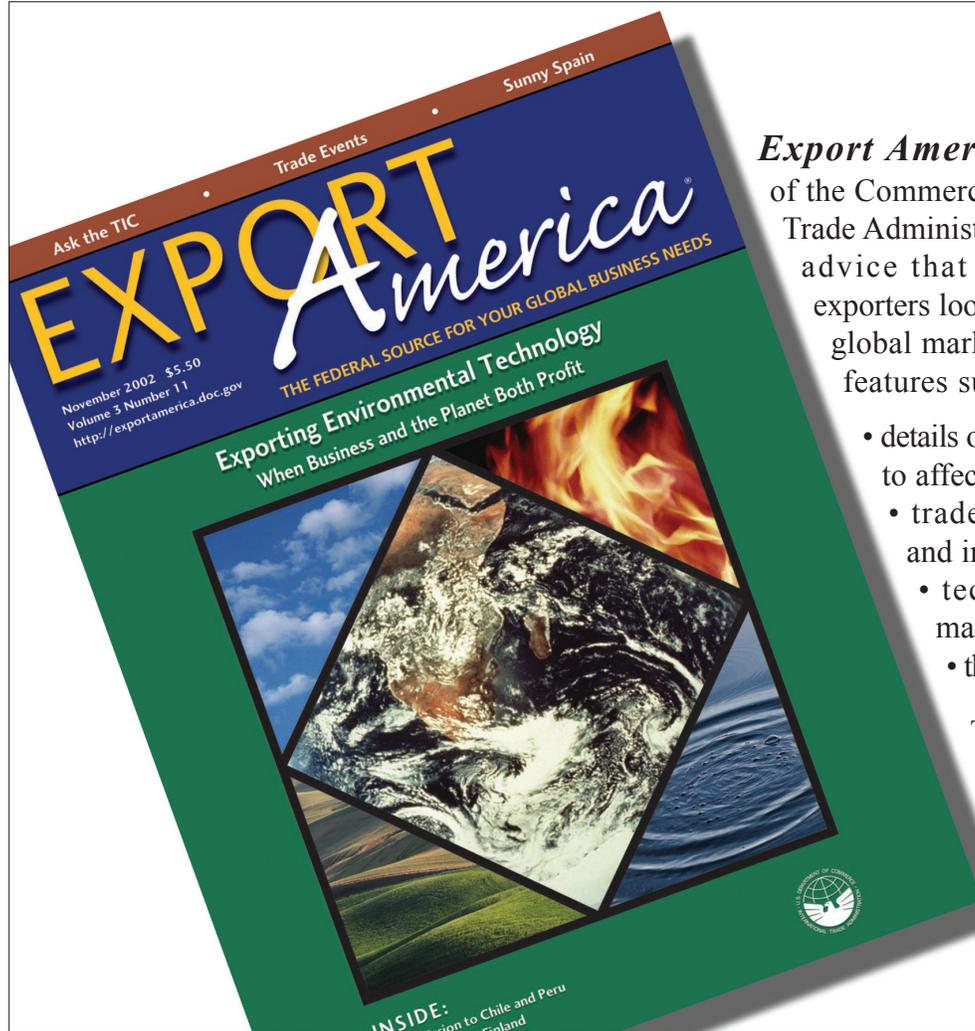
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