

**LINDA CONLIN
ASSISTANT SECRETARY OF COMMERCE
FOR TRADE DEVELOPMENT
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MARRIOTT METRO CENTER HOTEL**

Thank you, Richard, for that kind introduction.

I appreciate the opportunity to speak with you today about the Department of Commerce's activities in areas of interest to the International Aviation Club. And in particular, of the many pursuits of the organization I lead, Trade Development.

The past year and a half have been extraordinarily difficult for the industries I intend to discuss with you here today— aerospace, air transport, and travel and tourism. None of you are unaware of this fact, indeed, I am sure it impacts what you do and how you do it every single day.

I am here to let you know that the Department of Commerce, and the Bush Administration, recognize that we must be at the forefront of generating growth opportunities for your industries, both through policies that benefit the broader economy, as well as industry-specific programs that boost confidence and demand.

Trade Development

But before I begin, I would like to tell you a little bit about Trade Development, which is one of four bureaus within the International Trade Administration.

Trade Development (TD) is U.S. industry's link to global markets, working each day, all day, to promote U.S. exports. Whether it is participating in critical trade negotiations, managing a mission to overseas markets or advocating on behalf of American bidders for international contracts, TD is on the front-line of action to keep U.S. business preeminent in world commerce.

TD's industry expertise, found nowhere else inside or outside of government, spans the gamut of U.S. business sectors -- from basic manufacturing to high technology and service exports.

And, of course, this expertise is found in my offices of aerospace, services and travel and tourism, which are of particular interest this afternoon. I am very proud of the work that these offices have been doing and I want to share with you some of the activities with which they are involved that specifically impact your industries.

Aerospace and Aviation

Many of you are very familiar with the Commission on the Future of the United States Aerospace Industry, which issued its final report in November 2002. Former congressman Bob Walker from Pennsylvania chaired the commission, which included distinguished representatives from industry, labor, academia and finance.

The Commission's report provides a broad range of recommendations to the President and the Congress on how to ensure continued U.S. industry competitiveness and leadership in this global industry.

Secretary Evans, Under Secretary Grant Aldonas and I are very concerned about the economic health of the U.S. aerospace and aviation industries, and about ensuring that the Administration is doing all that it can to help industry respond to the challenges currently facing it.

The day after the report was issued, Secretary Evans met with Chairman Walker and the other Commissioners to discuss the report and its recommendations. Commissioners have been holding similar briefings with government and Congressional leaders across Washington.

The urgent need to address the challenges facing industry was driven home during a meeting in mid-December between a number of Federal agencies and industry members of the Aviation & Space Stakeholders Coalition.

Participants in that meeting agreed that we can be most effective in overcoming those challenges if we work together, government and industry, to coordinate our efforts.

We will continue our dialogue with industry to develop an action plan in the coming months.

Aircraft Noise

Another issue on which we have worked closely with U.S. industry in recent years is that of aircraft noise. This issue has moved beyond the environmental realm and into the trade arena. It impacts our manufacturers and our air carriers, as well as various communities and airports.

The US recognizes that our efforts to address aerospace-related trade disputes must be in the spirit of cooperation. Unanimous endorsement of the "balanced approach" resolution by members of the International Civil Aviation Organization (ICAO) is a key example of working with other countries and with industry to address real challenges with real solutions.

The "balanced approach" gives ICAO member states the ability to address aircraft noise problems where they occur - at individual airports - in a deliberative, transparent and measured process, while providing a degree of stability to the aviation industry.

Adoption of the ICAO balanced approach was a critical factor in achieving withdrawal of the discriminatory so-called "hushkit regulation" in Europe, removing a major irritant in bilateral U.S.-European relations.

Unfortunately, some European countries are crafting new restrictions on operations at major airports that appear to diverge both from EU legislation and ICAO guidance.

This sets a bad precedent for other countries considering methods to address environmental concerns, and could have a significant economic impact on U.S. commercial aviation interests.

We are urging European government officials to get these local policies in line with European and international guidance.

Air Transport Services

While many of you are aware of the important responsibilities carried out by our colleagues at the Departments of State and Transportation in the area of international air services, you may not be as familiar with the work of the Commerce Department in supporting U.S.

air carriers' efforts to gain and maintain market access.

Commerce has participated in the negotiation of dozens of bilateral air services agreements with our State and DOT colleagues.

We have been successful in gaining market access benefiting not only U.S. passenger and cargo airlines, but also our communities and airports, business and leisure travelers, and businesses that rely on the ability to ship high-values goods to the global market on a just-in-time basis.

Express Delivery Services

We are also focused on dismantling the barriers that U.S. aviation-related companies face in overseas markets. For express delivery providers, we are working to create a competitive platform in multilateral and bilateral trade agreements, as well as pinpointing and eliminating specific market barriers.

In the World Trade Organization's General Agreement on Trade in Services (WTO/GATS) negotiations, the United States has proposed the creation of a new express delivery services category in recognition of the importance of this global industry and the inadequacy of current GATS coverage.

We are seeking commitments from WTO members in those areas that are critical to express delivery services, such as logistics, warehousing, and trucking. We are mirroring this approach in our bilateral and multilateral free trade agreements (FTAs).

We are also focused on barrier concerns in specific markets. We work very closely with U.S. express delivery firms and other U.S. Government agencies to ensure that China keeps its WTO commitments.

Travel and Tourism

International travel to and within the United States is a major export for the country. In 2001, the total value of travel to the United States was over \$91 billion. U.S. spending on travel abroad totaled \$82.5 billion.

International travel is an industry that generates a trade surplus for this country. In fact, travel has registered a trade surplus since 1989, and in 2000, we carried a \$14 billion surplus. This declined to \$8 billion in 2001.

Looking at both sides of the balance of trade, our Office of Travel and Tourism forecasts a 32 percent growth in U.S. inbound arrivals by international travelers between 2001 and 2006 to reach 60 million visitors.

Real recovery won't start until 2003 with 2004 marking the

year in which we anticipate surpassing the peak of visitation experienced in 2000.

The story is actually similar for the outbound travel forecast to 2006, that is, U.S. residents traveling outside the United States. We see declines in 2002 and then gains in 2003, which will lead to a recovery point by 2004. Overall, the total U.S. outbound market should grow by 18 percent from 2001 to 2006.

Confronted with the dramatic downturn in travel after September 11, Secretary Evans reestablished the Tourism Policy Council (TPC) to ensure a more coordinated tourism effort among Federal departments and agencies.

Secretary Evans immediately called a first meeting of top officials from U.S. government departments and agencies to begin the process of evaluating the status and needs of the travel and tourism industry.

There were three specific challenges for the TPC to address. They included:

(1) Keeping the public informed; coordinating the U.S. Government message to help improve consumer confidence

(2) Maintaining high airport security while easing inconveniences to the traveler; and

(3) Managing data collection and enhancing cooperation

among agencies in order to most accurately measure recovery efforts throughout the industry.

We have moved proactively to reinvigorate tourism into the United States from specific, key markets.

In 2000, Japan represented our top overseas export market both in arrivals and receipts. Over 5 million Japanese visitors came to the United States, generating over \$14 billion in tourism receipts (export value).

In 2000, 1.3 million U.S. residents traveled to Japan generating \$3.8 billion in revenues for Japan (payments). Following the attacks of September 11, travel from Japan declined by over 60 percent. U.S. travel to Japan was down over 50 percent.

In response, last April, Secretary Evans and Minister Oogi of the Ministry of Land, Infrastructure and Transport signed a Memorandum of Understanding (MOU) concerning Tourism Export Expansion.

The MOU established a Tourism Export Expansion Council. The Council is comprised of two working groups, co-chaired by industry leaders of Japan and the U.S., one to focus on inbound travel to the United States and the other to focus on inbound travel to Japan.

A comprehensive Working Group meeting took place in August 2002 in which over fifty public and private sector committee members attended. A second meeting is being planned for April 2003.

Many of you may be familiar with some of the work of our Office of Travel and Tourism through the in-flight surveys you have completed in your travels. We use the Survey of International Air Travelers program to provide comprehensive, comparable survey data for overseas travel patterns, characteristics and spending patterns by international travelers to and from the United States.

Data from the survey is an invaluable source for planners and marketers and it can be used to analyze behavior of specific visitor segments. It is very important that you continue to cooperate with our efforts.

Conclusion

I cannot speak today of the U.S. air transport industry and ignore the tremendous financial distress much of the industry is now experiencing. During the past few weeks we have learned how the airlines fared financially in the fourth quarter and full year of 2002.

The extent of the losses is staggering. And two airlines important to Washington travelers—United and USAirways—are now in bankruptcy. Other U.S. airlines face financial

crisis as well. Tens of thousands of dedicated airline employees are now without jobs.

And, as the airlines see demand drop, they have postponed or cancelled aircraft deliveries, forcing our manufacturers in the commercial aircraft industry to let go of thousands of skilled employees.

This is why we have brought renewed vigor to our policy efforts in the aerospace, aviation and travel and tourism sectors, to generate sustained demand, ease international trade tensions that impact aviation, and create a global environment where our industries have the opportunity to compete fairly.

Thank you for listening, I have time for a few questions.