



EIB World Trade Headlines

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Esterline Agrees to Outside Audit and 20 Million in Fines

Esterline agrees to Fines totaling \$20 million as a non dischargeable debt in case of bankruptcy.
\$10 million to be paid in installments and \$10 million toward remedial compliance.

The State Department reserves the right to impose disbarment, if unhappy with remedial compliance actions or if state finds consent agreement obligations remain unmet.

Onsite reviews by DTC will be conducted on short notice.

The defense articles, technical data, and defense services at issue are or were at the time of the alleged violations controlled by the USML under the following categories: IV(h), VI(i), VI(f), VI(g), VII(g), VII(h), VIII(h), VIII(i), XI(a), XI(c), XI(d), XII(e), XII(f), XV(e), XV(f), XX(c), and XX(d).

Esterline, a Delaware Corporation, located at 500 108th Avenue, NE, Suite 1500, Bellevue, WA 98004, is a specialized manufacturing company principally serving aerospace and defense markets with approximately eighty percent (80%) of Esterline's total revenues generated from the aerospace and defense markets. Esterline owns and operates several subsidiary operations in the United States and abroad. Esterline is registered as a Manufacturer/Exporter with the Department.

The Department, however, is not alleging charges at this time for all alleged violations described herein.

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5. The activities described herein involve the following Respondent entities.

a. Esterline's U.S. subsidiary, CMC Electronics Aurora LLC ("CMC"), located in Illinois, designs, manufactures, sells, and supports high-technology electronic products for aviation and global positioning markets. Forty-nine (49) charges alleged relate to CMC.

b. Esterline's U.S. subsidiary, Hytek Finishes Co. ("Hytek"), located in Washington, provides specialized metal, anodizing, and organic coating services for the aerospace, defense, and commercial markets. Six (6) charges alleged relate to Hytek.

c. Esterline's U.S. subsidiary, Kirkhill-TA Co. ("KTA"), located in California, manufactures elastomer, seals, clamps, insulation material, molded parts, and extrusions for the aerospace, defense, and commercial markets. One (1) charge alleged relates to KTA.

d. Esterline's U.S. subsidiary, Korry Electronics Company ("Korry"), located in Washington, specializes in the manufacture of control solutions for operator interfaces for the aerospace, defense, and commercial markets. One hundred seventy-nine (179) charges alleged relate to Korry.

e. Esterline's U.S. subsidiary, Leach International Corporation ("Leach"), located in California, designs and manufactures power switching and control components and equipment for aerospace, rail, and industrial applications. Leach's sister company, Leach International Europe S.A. ("LIE"), located in France, also designs and manufactures power switching and control components and equipment for aerospace, rail, and industrial applications. Six (6) charges alleged relate to Leach.

f. Esterline's U.S. subsidiary, Mason Electric Company ("Mason"), located in California, manufactures control devices and subsystems for military airplane cockpits and vehicles. Forty (40) charges alleged relate to Mason.

g. Esterline's U.S. subsidiary, Memtron Technologies Company ("Memtron"), located in Michigan, manufactures various custom-designed input components, including membrane switches. One (1) charge alleged relates to Memtron.

B. Nature of Violations

6. Conduct disclosed by Esterline included violations of many ITAR sections and can be generally characterized in the following manner: 1) improper classification of articles; 2) failure to administer properly licenses and agreements; and 3) incomplete or poor recordkeeping. The violations disclosed by Esterline entities were the result of (i) insufficient understanding and knowledge of the ITAR and (ii) corporate oversight and a corporate export compliance program that were insufficient to prevent the alleged violations. Although the corporate compliance function was reassured by the results of what appeared to be a generally favorable 2009-2010 external audit, program weaknesses discovered in the year that followed caused the corporate compliance function to reexamine the audit findings.

SPECIFIC VIOLATIONS WORTH LEARNING FROM:

KTA

7. On October 10, 2008, KTA filed a voluntary disclosure divulging, among other things, unauthorized transfers of technical data and manufacturing know-how to foreign person employees. KTA indicated the violations resulted from insufficient export controls and misclassification of its products due to a mistaken belief that all of its products and related technical data were subject to the control of the Export Administration Regulations ("EAR") (15 C.F.R. Parts 730-774) administered by the Department of Commerce. KTA then implemented policies and procedures to classify properly its products and prevent unauthorized transfers of technical data and manufacturing know-how to foreign person employees. DTCC closed the case on November 10, 2008, cautioning KTA to take immediate and necessary actions to strengthen its compliance processes and procedures. Despite DTCC's warning, KTA continued to have similar compliance issues.

8. In May 2011, the Department of Homeland Security, Homeland Security Investigations ("HSI") initiated a criminal investigation of KTA and its activities related to the AECA and ITAR. HSI investigated potential unauthorized exports of ITAR-controlled technical data that were alleged to have occurred during a facility tour between January 10-13, 2011, by a visiting delegation comprised of foreign persons from the People's Republic of China ("PRC"); potential provision of defense services to the PRC delegation; and potential access to ITAR-controlled items by a foreign person employee with U.K./Indian dual nationality.

9. On January 3, 2012, following discussions with HSI regarding its investigation of KTA, the United States Attorney's Office ("USAO") for the Central District of California declined to prosecute KTA. HSI subsequently provided to DTCC its investigation report, dated December 16, 2011.

10. Following the investigation by HSI, on October 14, 2011, Esterline, on behalf of KTA, provided credible evidence refuting the allegations set forth in the HSI investigation, but disclosed access by foreign person employees from El Salvador, Honduras, India, Mexico, and the U.K. to defense articles and technical data controlled by USML Categories IV(h), IV(i), VI(f), VI(g), VII(g), VII(h), VIII(h), VIII(i), XII(e), XII(f), XV(e), XV(f), XX(c), and XX(d). According to Esterline, these violations resulted from inadequate export compliance measures and weakness in internal export controls at KTA. The KTA management and empowered official were subsequently replaced.

Korry

11. In September 2009, HSI initiated a criminal investigation of Korry and its activities related to the AECA and ITAR.

12. On October 5, 2009, HSI served Korry with an Export Subpoena for records relating to exports between Korry and an entity in Liechtenstein.

13. In response to the subpoena, Korry conducted an internal compliance review. On May 28, 2010, Esterline, on behalf of Korry, filed an initial notice of voluntary disclosure concerning unauthorized exports to foreign suppliers, including those which were the subject of the subpoena. As described in the following paragraphs, the full disclosure, filed on September 13, 2010, provided the results of the internal compliance review with respect to the subpoena. Part of the full disclosure included a description of activities that, in the Department's view, were consistent with many of the alleged violations asserted by HSI.

14. Beginning in 1997, an entity in Liechtenstein began manufacturing thin film-coated glass parts controlled by USML Categories VII(g), VII(h), VIII(h), VIII(i), XI(c), and XI(d) for Korry. Korry failed to obtain authorization from the Department for the manufacture of these parts. While transaction records for the parts are mostly incomplete, Esterline disclosed that between 1997 and 2010, Korry transferred technical data for the manufacture of the glass parts to Liechtenstein on several occasions.

15. On May 12, 2009, the Department approved MA 1224-09 authorizing the manufacture of optical filters for liquid crystal displays compatible with night vision imaging systems ("NVIS") controlled by USML Category XI by a Liechtenstein entity. The parties executed MA 1224-09 on May 13, 2009. Prior to the approval and/or execution of MA 1224-09, however, Korry transferred without authorization technical data related to the optical filters to Liechtenstein. Additionally, between February and September 2009, Korry exported without authorization eight (8) shipments of optical filter parts for repair or replacement to Liechtenstein.

16. In 2001, Korry began operating with a U.K. entity under MA 1047-01, which was amended in 2004. MA 1047-01A, as amended, authorized the transfer of technical data and defense services for the manufacture of parts and components for certain Light-Emitting Diode Displays controlled by USML Category VIII(h) and VIII(i) for the T-50, F-16, F-22, F-35, KS-135 and EF2000 aircraft and the UH 60 and AH-1 helicopter applications.

17. Between 2006 and 2010, while operating under MA 1047-01A, Korry exported twenty-three (23) shipments of aircraft parts to the U.K. for repair or replacement despite MA 1047-01A not authorizing exports of defense articles. Esterline disclosed Korry mistakenly believed the exports qualified for the exemption under 22 C.F.R. § 123.4(a)(1). Of these shipments, only seventeen (17) shipments could be reconciled with AES filings. One (1) shipment was made under a DSP-73 license and the remainder of the AES filings indicated improper use of the exemption under § 123.4(a)(1). Review of violations was complicated by Korry's failure to maintain records or a copy of the executed agreement, and there were no records of Korry's submissions of the required annual reports of sale or other transfers under the agreement for 2004 and 2005 pursuant to 22 C.F.R. § 124.9(a)(5).

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18. On June 25, 2008, DDTC approved MA 1816-08, which authorized the manufacture of printed wiring board assemblies controlled by USML Category XI by a Canadian entity for Korry. Prior to the execution of MA 1816-08, however, Korry exported without authorization technical data related to the assemblies to Canada and provided unauthorized defense services for the manufacture of these assemblies. Moreover, following execution of MA 1816-08, Korry exceeded the scope of MA 1816-08 authorizations by transferring technical data controlled by USML Categories VII(h) and VIII(i) to Canada for the manufacture of defense articles.

19. Between 2005 and 2009, on at least fifty-three (53) occasions, Korry exported without authorization technical data related to variable resistor parts and assemblies for control panels and NVIS respectively controlled by USML Categories VI(g) and VIII(i) to a U.K. entity. Korry also exported without authorization the variable resistor parts and assemblies for repair or replacement to the U.K. AES filings could not be reconciled for these shipments because the shipments were most likely mistakenly identified as controlled under the EAR, and the shipments were likely shipped using an exemption under 15 C.F.R. § 30.37(a). According to Esterline, these violations were the result of failure to properly self-determine the classification of parts and related technical data and establish controls to verify jurisdictional status at Korry.

20. Further, between 2007 and 2009, as part of the Canadian Maritime Helicopter Program, Korry exported without authorization technical data and defense services for retrofit design and installation of NVIS-compatible optical filters on lighted systems, controlled by USML Category VI(f), of Halifax-Class Frigates for night-time helicopter operations to a Canadian entity and a U.K. entity. Korry stated it erroneously believed the transactions were covered by 22 C.F.R. § 126.5 (the "Canadian Exemption").

21. On or about November 10, 2010, HSI concluded its criminal investigation, finding Korry violated on several occasions the AECA and the ITAR. HSI presented its case to the USAO for the Western District of Washington. On or about November 17, 2010, the USAO declined prosecution of Korry, and HSI subsequently referred the matter to DTCC for potential administrative proceedings.

Leach

22. From 2006 to 2010, Leach exported without authorization parts and components and related technical data controlled by USML Category VI(f), VI(g), VII(g), VII(h), VIII(h), and VIII(i) for use in submarines; the M2 Infantry Fighting Vehicle; and EF2000, F-16, and B-1B aircraft, respectively, to Leach's Mexican facility, Leach International de Mexico S. de R.L. de C.V. ("LIMEX"), for further processing of the parts.

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23. Additionally, Leach without authorization exported technical data and provided defense services to LIMEX for the manufacture by LIMEX of subassemblies controlled by USML Categories IV(h), VI(f), VIII(h), and XX(c) for use in missile launch vehicle systems; naval vessels or equipment; UH-60 helicopter and B-1, F-16, and V-22 aircraft; and submarines, respectively. A total of fifty-two (52) subassemblies were manufactured by LIMEX for Leach.

24. In 2008, Leach began operating with a German entity and its French and Spanish affiliates under TA 2449-07, which authorized technical data and defense service exchanges controlled by USML Category VIII(i) relating to a CH-53 helicopter update program. Between 2008 and 2010, Leach permitted its sister company located in France, LIE, to participate in technical data exchanges under TA 2449-07 despite LIE not being party to said agreement.

25. Also in 2008, Leach without authorization exported one (1) shipment of EP-231 diode assemblies for use in the T-50 trainer aircraft controlled by USML Category VIII(h) to Leach's sister company, Leach International, Asia-Pacific Ltd. for use by a South Korean entity.

26. As indicated by Esterline's disclosure, the aforementioned violations articulated in Paragraphs 22, 23, and 25 primarily resulted from Leach's failure to make jurisdictional determinations for its products. The violations articulated in Paragraph 24 resulted from a misunderstanding as to who were the authorized parties under TA 2449-07.

27. From 2004-2009, CMC without authorization temporarily imported for repair or replacement 253 shipments of defense articles, including, but not limited to, INS/GPS Guidance Units, Head Up Displays, Multi-Function Displays, Pilot Displays, Mission Computers, Aviation Computers, Aviation Display Computers, Interface Computers, Assembly Armament Interface Units, Navigation Control Panels, and other control panel assemblies controlled variously by USML Categories VIII and XI. Specifically, 101 shipments of the 253 shipments of articles were temporarily imported without properly invoking § 123.4(a)(1) at import or were improperly exported citing "NLR" (no license required) pursuant to the EAR; 149 shipments were temporarily imported and cited § 123.4(a)(1) at the time of import yet improperly exported as NLR; and 3 shipments were temporarily imported without citing § 123.4(a)(1) at the time of import, but cited § 123.4(a)(1) at the time of export.

28. From 2005-2009, CMC without authorization exported for repair and replacement thirty-four (34) shipments of voltage power supplies, data computers, data transfer units, and anode modules for the A-10 aircraft controlled by USML Categories XI(a) and XI(c) to certain foreign vendors located in Canada, France, and Israel. Technical data, controlled by the USML, in the form of test results and/or test reports related to the aforementioned defense articles were also transferred without authorization. Many of these unauthorized exports were either erroneously cited as NLR, erroneously exported under § 123.4(a)(1), or exported pursuant to the Canadian Exemption in the absence of a proper citation to the relevant exemption.

29. In 2008, CMC failed to properly invoke the Canadian Exemption, for three (3) shipments containing aircraft display computers, power control units, cables, and boresight modules controlled by USML Categories XI(a) and XI(c) to its parent company, CMC Electronics, Inc., in Canada. Misunderstanding how to properly use the Canadian Exemption, CMC cited NLR as export authorization rather than citing to the Canadian Exemption.

30. AES entries associated with the temporary imports and exports set forth in Paragraphs 27-29 were incorrect because CMC either erroneously indicated the shipments were NLR or failed to cite to the exemptions under § 123.4(a)(1) or the Canadian Exemption.

31. According to Esterline, the violations resulted from inadequacies in the existing policies and procedures and a fundamental misunderstanding about the ITAR, including how to properly handle temporary imports and invoke appropriate exemptions at CMC.

32. From 2008-2010, Hytek temporarily imported without authorization 388 shipments of aircraft parts and components controlled by USML Category VIII(h) from Canada through the improper use of the Canadian Exemption. Specifically, Hytek's Canadian customers shipped the parts and components to Hytek without indicating on the import documentation that the shipments were being made in accordance to the Canadian Exemption. Despite being aware of the issue, Hytek failed to advise its customers of the proper use of the Canadian Exemption when such incidents occurred. The AES entries for these unauthorized temporary imports were either incorrect or not filed.

33. Similar to CMC, the violations were primarily due to inadequacies in existing policies and procedures and misunderstandings of the ITAR, including misunderstandings of the use of exemptions at Hytek.

34. In 2002, Mason began operating under TA 1655-02A, as amended, which authorized the export of defense articles, technical data, and defense services between Mason and a U.S. entity and its related Brazilian entity to integrate a cockpit control system into the A-29 aircraft, controlled by USML Category VIII for the Government of Brazil. On June 23, 2010, Mason disclosed that it had exceeded the authorized value of exports in furtherance of TA 1655-02A by \$1,928,233.27. Mason also disclosed that fees or commissions in the aggregate amount of \$100,000 or more were paid, offered, or expected to be paid to Mason's Brazil agent for sales of defense articles manufactured under TA 1655-02A. Mason failed to report these fees or commissions to DDTC as required under 22 C.F.R. § 130.9. As a result of these violations, Mason implemented corrective measures to prevent similar violations from occurring in the future.

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35. On September 1, 2011, over one year after disclosing compliance issues with the administration of TA 1655-02A, Esterline, on behalf of Mason, disclosed additional violations related to the administration of TA 1655-02A. Specifically, Mason submitted DSP-5 license applications in furtherance of TA 1655-02A, many of which failed to identify that the licenses were in furtherance of TA 1655-02A.

This failure contributed to Mason exceeding the value of exports authorized under TA-1655-02A. On November 29, 2011, Esterline disclosed that it further exceeded the value of exports authorized under TA 1655-02A. In total, Mason exceeded the value of exports authorized under TA 1655-02A by \$3,064,869.06. Additionally, thirty-one (31) DSP-5 licenses in furtherance of TA 1655-02A involved unauthorized end-users in Burkina Faso, Chile, Colombia, Dominican Republic, and Ecuador despite TA 1655-02A only authorizing end-use by the Brazilian government.

36. In 2004, Mason began operating with a Spanish entity under TA 2078-04A, as amended, which authorized exchanges of technical data and defense services related to a Boom Flight Control Assembly for use on the A400M aircraft controlled by USML Category VIII(h). In January 2010, however, Mason exceeded the scope of TA 2078-04A authorizations when Mason transferred technical data in furtherance of TA 2078-04A to another Spanish entity that was not a party to the agreement.

37. Further, in 2009, Mason began operating under TA 1960-09, which authorized the export of defense articles, technical data, and defense services to a Brazilian entity to permit said entity to use, test, repair, evaluate, install, and operate stick grip, throttle grip, forward and aft stick grip, and forward and aft throttle grip assemblies for the AM-X Modernization (A-1M) Program controlled by USML Category VIII.

The scope of TA 1960-09 was exceeded when Mason permitted Korry, which was not a party to the agreement, to provide technical data to the Brazilian entity in furtherance of the agreement.

38. Also in 2009, Mason began operating under TA 0370-09, which authorized the export of defense articles, technical data, and defense services related to Right Hand and Left Hand Grip Assemblies for the TOW ITAS Weapons System Program controlled by USML Category IV. In a February 2010 shipment of assemblies, Mason exceeded the quantity and value authorized by DSP-5 license 050156632 in furtherance of TA 0370-09.

Memtron

39. In 1998, Esterline acquired Memtron, which manufactures various membrane switches controlled by the USML Categories VII(c), VIII(h), and XI(c). In 2007, Esterline consolidated its subsidiary registrations under a single registrant code. From 2007 up until January 2010, Esterline failed to include Memtron as a manufacturer of defense articles on Esterline's registration with the

The MoD, the Ministry of Transport and 'Elbit' Successfully Completed Series of Tests on the 'SkyShield' System

The Israel Missile Defense Organization (IMDO) in cooperation with the Civil Aviation Authority at the Ministry of Transport and the project's main contractor, Elbit Systems, have successfully completed a series of tests on the 'SkyShiled' system that protects passenger's aircrafts against shoulder fired artillery.

The 'SkyShiled' system, based on advanced laser technology that deflects missiles fired at aircrafts deviating them from their trajectory, has been chosen by the Israeli Ministry of Transport to protect Israeli airlines planes. The tests, conducted in a test range in the south of Israel, were the most complex and sophisticated ever held in the State of Israel. The series of tests included a wide variety of threats that the SkyShield system would have to tackle in order to protect passenger aircrafts.

'SkyShield' is considered the most advanced system of its kind in the world and is programmed to protect aircrafts automatically. The system, that boasts the highest reliability, combines advanced detection and deflection technologies that comply with the most stringent civil aviation regulations.

Raytheon Awarded \$123 M Phalanx Contract From Republic of Korea

Raytheon Company (NYSE: RTN) signed a \$123 million contract to deliver nine Phalanx Block 1B Close-In Weapon Systems to the Republic of Korea Navy.

Under the direct commercial sale, the largest ever for the Phalanx program, Raytheon will deliver the Phalanx systems for installation aboard the FFX Batch II frigate-class ships and AOE II-class fast combat support ships.

Deliveries will begin in 2016 and are scheduled to be completed in 2022. The contract was signed during the fourth quarter 2013.

"Phalanx provides the vital protective capabilities needed for the Republic of Korea Navy to achieve its maritime mission requirements in the littorals and high seas in which it operates," said Rick Nelson, vice president of Raytheon's Naval and Area Mission Defense product line. "Phalanx counters sophisticated subsonic and supersonic anti-ship missiles while increasing the outer perimeter for ship self-defense."

About Phalanx Phalanx is a rapid-fire, computer-controlled radar and 20 mm gun system that automatically acquires, tracks and destroys enemy threats that have penetrated all other ship defense systems. More than 890 systems have been built and deployed in the navies of 25 nations. Source : **Raytheon Corporation (NYSE: RTN)**

New Aircraft Carrier to be Named by the Queen

Her Majesty The Queen will officially name the Royal Navy's new aircraft carrier HMS Queen Elizabeth at a ceremony in Scotland this summer.

The naming ceremony at Rosyth dockyard in Fife on Friday 4 July 2014 will mark the completion of the 65,000-tonne ship which will be Britain's biggest ever carrier.

During the ceremony, the ship will be given a traditional champagne christening and later that month the dock will be flooded to allow HMS Queen Elizabeth to float for the first time.

The construction of the most complex warship ever built in the UK has sustained more than 7,000 jobs at more than 100 companies across the country.

The end of the build phase means the ship can now work towards beginning sea trials in 2017 and flight trials with Lightning II aircraft in 2018.

Members of HMS Queen Elizabeth's crew, and industry workers who have helped to build the ship, will be among the thousands of people expected at the event on the shores of the Firth of Forth.

Defense Secretary Philip Hammond said:

"This will be a proud and historic day, not just for the Royal Navy but for the entire nation. It is great news that Her Majesty will officially name the first aircraft carrier 'HMS Queen Elizabeth'.

"This occasion will mark a major milestone in regenerating the UK's aircraft carrier fleet and its power projection capability, with the first Lightning II aircraft due to begin flight trials off the deck of HMS Queen Elizabeth in 2018."

Admiral Sir George Zambellas, the First Sea Lord, said:

"The Royal Navy is delighted that Her Majesty will name this great ship – the first of a class that will return fast jet carrier operations to our nation's war-fighting credibility.

"We have a great journey ahead, in close partnership with the Royal Air Force, to create and sustain the best that our shipbuilding, engineering, technology and people can deliver. And we are proud to have the chance to show what we can do."

Work is already underway on HMS Queen Elizabeth's sister ship the Prince of Wales which will start to be assembled in Rosyth dockyard later this year.

Source : **Ministry of Defense (United Kingdom)**

Cobham Awarded Major Contract to Support Royal Saudi AF Training



Cobham has been awarded a 30 month contract by BAE Systems to provide air support to operational readiness training for the Royal Saudi Air Force. The contract is part of the Saudi British Defence Cooperation Programme and will run from 2014 to 2016.

The contract builds on Cobham's 25 years' experience supporting operational readiness training for armed forces in the United Kingdom and for the North Atlantic Treaty Organisation (NATO). Cobham's specialist technology and know-how is used to provide training to service personnel operating platforms, including the Typhoon, Tornado and Type 45 Destroyer. Cobham Aviation Services supports training in the United Kingdom and a number of the Ministry of Defence's overseas detachments in regions such as North America and the Middle East.

"We are delighted that we have the opportunity to provide the Royal Saudi Air Force with the same high level of operational readiness training that we deliver to the armed forces of the United Kingdom and NATO, and look forward to developing a highly effective partnership," said Peter Nottage, vice president of Cobham Aviation Services strategic business unit.

"The service depends on extensive technology and know-how that Cobham has developed since the mid-1980s, which we continue to evolve to meet the needs of modern armed forces."



There is still space available in our two day "Complying with US Export Controls" seminar in Salt Lake City on March 12-13. This course is intended to provide a thorough introduction to the key information you need to know to comply with the Export Administration Regulations. Don't miss out on BIS's Export Control Reform seminars. We will be offering two programs on the west coast in April. These one day seminars are intended to help firms who have had the jurisdiction of their items changed from the Department of State (ITAR) to the Bureau of Industry and Security (EAR), and to help them get up-to-speed quickly on the new regulations. The programs will be held in Los Angeles on April 15, and in Seattle on April 17. Registration information is available on our website, as is our entire Fiscal Year 2014 seminar.

The Trans-Pacific Partnership Agreement

The Trans-Pacific Partnership Agreement ("TPP") is a free trade agreement currently being negotiated by nine countries: The United States, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam. Although the TPP covers a wide range of issues, this site focuses on the TPP's intellectual property (IP) chapter.

The TPP suffers from a serious lack of transparency, threatens to impose more stringent copyright without public input, and pressures foreign governments to adopt unbalanced laws.

Many of the same special interests that pushed for legislation like SOPA and PIPA have special access to this forum—including privileged access to the text as well as US negotiators.

Excessive copyright rights and enforcement adversely affect that ability of creators to create content, the ability of technology companies to make innovative products, and that ability of users to use content in new ways.

Why you should care about the TPP

Problems with the TPP Negotiation Process

- **The TPP needs transparency.** The TPP countries have not released any texts or negotiating positions to the public. The only information the public has about the contents of the TPP intellectual property chapter is from a leaked draft US proposal from February 2011.
- **The TPP needs public input.** The TPP intellectual property chapter isn't limited to provisions on trade and tariffs—it would implement substantive provisions of copyright law, which affects users, technology companies, and creators. Despite this, the US hasn't meaningfully tried to inform or engage the public. Only large companies—not public interest advocates—are allowed to view and influence the US's negotiating positions.

Building Balanced Copyright in the TP

It's hard to know the full extent of the harms the TPP's copyright provisions may pose to the public interest, because the public has been kept in the dark. Based on a US draft that leaked in February 2011, Public Knowledge can identify a number of proposals that would have adverse consequences for consumers and should be removed from the TPP or modified. The actual text of the TPP may be far worse, but it is impossible to know until the text is released to the public.

- **The TPP should not protect incidental copies.** The TPP would provide copyright owners power over "buffer copies"—the small copies that computers need to make in the process of moving data around. With buffer copy protection, many more transactions would require a license from the copyright owner and many more uses would expose consumers to liability.
- **The TPP should not prohibit breaking digital locks for legal uses.** The TPP would prevent users from breaking digital locks (known as DRM), even if users intend to make non-infringing uses of the protected work.
- **The TPP should not criminalize small-scale copyright infringement.** The TPP could make downloading music a crime. Police could seize a computer as a device that aids this offense and send the end-user to jail for downloading. The TPP's criminal rules go beyond US law and would impose similar rules on other countries.
- **The TPP should not kick people off the Internet.** The TPP would encourage ISPs to institute measures like "three strikes"—which kicks users off their Internet connection after three infringement accusations—and deep packet inspection.
- **The TPP should include limitations and exceptions to copyright.** The leaked proposal has no limitations and exceptions, to uses such as fair use, use by libraries preservation, and use of works in accessible formats by the disabled. The draft only has a placeholder where these provisions may be added later. The public has received no assurance that the TPP now includes limitations and exceptions necessary to balance the interests of users and copyright owners.

The US entered into negotiations for a regional trans-pacific trade agreement in March 2008. As of mid-2012, there have been 13 rounds of secretive negotiations, 5 leaks of proposed text, and very little involvement of the public.

Everything we know about the TPP, we know from leaks. The negotiators have not once willingly given the public, or public interest organizations, any information.

The schedule for negotiation has recently accelerated in order to bring the agreement to a close. The process has become more and more closed—stakeholder forums, which were more common toward the beginning of the process, have now been replaced with "stakeholder tables" – a table staffed by interested stakeholders to which negotiators may or may not go. The negotiators are also holding off-the-record "inter-sessional" meetings between official sessions.

Trans-Pacific Partnership Talks Stall on US-Japan Stand-Off

Talks between 12 Pacific Rim countries to create a tariff-free trade zone spanning the US, key Asian states and Latin America ended on Tuesday without a deal after the two biggest powers – the US and Japan – could not agree on allowing easier access to each other's markets.

The stand-off over tariffs and other trade barriers between Washington and Tokyo has since late last year been holding up efforts to forge closer economic ties between a group of countries that account for 40 per cent of global gross domestic product, in part as a counterweight to the rise of China.

The Trans-Pacific Partnership aims to tackle the high regulatory and tariff barriers hampering trade flows between the 12 countries.

But while ministers said progress had been made on some areas, there were still "gaps" on market access – a key sticking point ever since the TPP process began in 2011.

"Market access is in some respects the heart and soul of the trade agreement so until that's done we don't have an agreement," said Tim Groser, New Zealand trade minister.

The US has sensitive industries such as textiles, to which Vietnam wants greater access, and sugar, to which Australia has been pushing for more openness. Japan also wants tariff cuts on imports of automobiles into the US.

At the same time, Japan continues to resist tariff cuts in five agricultural areas – rice, meat, wheat, dairy and sugar – which it regards as "sacred".

"While some issues remain, we have charted a path forward to resolve them in the context of a comprehensive and balanced outcome," the countries' trade ministers said in a joint statement.

"Through extensive bilateral meetings, we have also made progress on market access, which is an important part of our remaining work, and we will continue working toward completion of an ambitious package across all market access areas," the ministers said.

No date was set for a further round of talks, according to the chief US negotiator, US trade representative Michael Froman. However, he said: "This has been a very good meeting, and we've made significant progress."

Deborah Elms, a trade negotiations expert at the S. Rajaratnam School of International Studies at Singapore's Nanyang Technological University, said that the failure of the US and Japan to move on market access had meant it was impossible for other countries to move on their respective issues.

"I think what it tells us is that unless and until you get serious high level engagement and focus and a commitment to making those politically sensitive decisions, you are going to be in a state of drift," she said.

Trade experts say the next opportunity for movement on the TPP will come when US President Barack Obama visits Japan in late April.

The Obama administration's negotiating position has been seen by some as hindered by the lack from Congress of so-called fast-track authority to negotiate trade deals.

While the US president aims to seal a range of strategic deals in the Pacific Rim, he was dealt a blow in January after the top Democrat in Congress, senator Harry Reid, quashed the idea of giving the White House congressional approval to negotiate the pacts.

Mr Reid, the Senate majority leader, said he opposed legislation known as Trade Promotion Authority (TPA), which sets a swift timeline for trade bills and prevents amendments that would slow them down or modify their contents.

Given the difficulties narrowing the gaps between the US and Japan on market access, there had been suggestions in recent days that negotiators might be willing to compromise with a less stringent set of tariff reduction targets, phased in over a longer period.

However, Mr Froman said: "We all 12 are focused on achieving an ambitious, high standard, comprehensive agreement consistent with what our leaders laid out in . . . 2011."

The 12 countries in the TPP negotiations are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, the US, Vietnam and Singapore, which was hosting the talks.



Boeing Maritime Surveillance Aircraft Demonstrator Completes 1st Flight

Boeing's [NYSE: BA] Maritime Surveillance Aircraft (MSA) demonstrator recently completed its first flight to verify airworthiness, an important milestone toward providing a low-risk and cost-effective maritime surveillance solution designed for search and rescue, anti-piracy patrols and coastal and border security.

Boeing teammate Field Aviation conducted the successful testing during a four-hour flight on Feb. 28 from Toronto's Pearson International Airport. Field Aviation modified the Bombardier Challenger 604 aircraft's structures and systems into the MSA configuration.

"We accomplished everything we set out to achieve," Field Aviation Pilot Craig Tylski said. "The aerodynamic performance was right on the money and even with the additional aerodynamic shapes, such as the radome, the demonstrator performed like a normal aircraft. The control and handling were excellent."

Additional airworthiness flights are scheduled for the next two months. Once they are complete, the aircraft will fly to a Boeing facility in Seattle where the MSA mission systems will be installed and tested.

MSA uses proven technologies developed for Boeing's P-8A Poseidon program to provide multi-mission surveillance capabilities. The baseline configuration features an Active Electronically Scanned Array multi-mode radar, an Electro/Optical/Infrared sensor, Electronic Support Measures, a Communications Intelligence sensor and Automated Identification System.

Boeing achieved first flight of the MSA demonstrator on an accelerated schedule due to rapid prototyping and lean manufacturing techniques by Boeing Phantom Works, the company's advanced technology organization, working closely with industry teammates.

Boeing has selected the Challenger 605 business jet as the MSA platform and will leverage Field Aviation's engineering and modification experience with the Challenger family of aircraft to modify the jet.
Source : **The Boeing Company (NYSE: BA)**



LM, University of Maryland to Develop Next Generation Quantum Computer

Lockheed Martin [NYSE: LMT] and the University of Maryland are partnering to develop an integrated quantum computing platform that has the potential to enhance fields ranging from drug discovery and communications to logistics.

The parties signed a memorandum of understanding today establishing the Quantum Engineering Center at the University of Maryland, College Park.

"Classical computing can only take us so far," said Dr. Ray O. Johnson, Lockheed Martin senior vice president and chief technology officer. "In the future, critical systems will become so complex that problems will take too long or become too expensive to solve using even our most powerful supercomputers. We believe the next computational revolution will stem from applied quantum science—a discipline that connects physics, information science, and engineering."

Building on more than 60 years of collaboration, Lockheed Martin and the University of Maryland signed a formal strategic framework in 2010 to jointly pursue research and development projects and business opportunities. The Quantum Engineering Center is the most recent opportunity to push the boundaries of scientific discovery and innovation.

"By building on our world-class research expertise, the University of Maryland will transform the study of quantum mechanics into the practice of quantum engineering through this unique partnership with Lockheed Martin," said Dr. Mary Ann Rankin, senior vice president and provost of the University of Maryland, College Park. "Together, we will bring multidisciplinary methods to an area that has the potential to transform the lives of citizens around the globe."

The initial goal of the Quantum Engineering Center is to demonstrate a quantum platform that features reliable, well-characterized operation without requiring a user to have a deep understanding of the internal workings of the system—just like conventional computers work today. To achieve this will require close cooperation between scientists and engineers.

"In the case of quantum components, it's like we're back in 1947 working with the first semiconductor transistors," said Dr. Chris Monroe, Bice Zorn professor of physics at the University of Maryland. "We are talking about unusual systems—specially tuned laser and microwave fields trained with exquisite precision onto individual atoms suspended with electrical fields and immersed in a vacuum chamber a million times less dense than outer space. Each aspect is challenging in its own way, but we understand exactly how every piece works. Our focus now is integrating these systems to consistently and reliably work in harmony, much like engineering a complex aircraft, so that the device is more than just a sum of its parts."

Source : **Lockheed Martin Corporation (NYSE: LMT)**

Turkey to Manufacture Black Hawk Helicopters

Stratford, Connecticut – [Sikorsky Aircraft Corp.](#), a subsidiary of [United Technologies Corp.](#), has signed agreements with the Turkish government and key Turkish aerospace contractors that license Turkey's aerospace industry to manufacture 109 T-70 helicopters (Turkish variants of Sikorsky's S-70i International Black Hawk helicopter) for operation by the Turkish Government, and to assemble 109 S-70i helicopters for Sikorsky.

The agreements license the transfer of certain manufacturing technology to Turkish industry, and provide for the potential to produce up to a total of 600 aircraft, including both T-70 units for Turkish indigenous use and S-70i aircraft for export over the next 30 years. The agreements are subject to requisite export approvals. "This program is unprecedented in Sikorsky's 90-year history," said Sikorsky President Mick Maurer. "We have signed contracts that collectively will raise our already strong supplier and customer relationships in Turkey to levels that we expect will endure for decades. We are very pleased that these agreements also will potentially open additional markets for the world's leading utility military helicopter while strengthening Turkish industry's position as a world-class aerospace provider."

Under the program, known as the Turkish Utility Helicopter Program, Sikorsky has signed agreements with the Turkish Undersecretariat for Defence Industries (SSM) and two Turkish defense contractors, Turkish Aerospace Industries, Inc. (TAI) and Aselsan A.S. TAI is the prime contractor for T-70 licensed production and assembly in Turkey for multi-mission use by the Turkish government. The aircraft will be assembled in Turkey by TAI and will include components supplied by Sikorsky and other American and Turkish companies. Aselsan will develop a new cockpit avionics system that will be featured in the T-70 aircraft.

Turkey's Defence Industry Executive Committee has reported a total program value of \$3.5 billion, inclusive of the work to be performed by Sikorsky, TAI, and other TUHP suppliers. In addition to the work with TAI and Aselsan, Sikorsky will expand the manufacturing capability of Alp Aviation, which is 50% owned by Sikorsky.



Source: Sikorsky

U.S. Factory Output Rebounded Strongly in February After Harsh Winter

U.S. factory output rebounded strongly in February after harsh winter storms caused a steep drop-off in production in January. Manufacturers produced more autos, home electronics and chemicals. The Federal Reserve said Monday that factory production surged 0.8 percent, nearly reversing a 0.9 percent plunge in January that was due mainly to weather. February's gain was the largest in six months.

The figures suggest that factories are poised to boost output and drive more economic growth as the weather improves.

"Assuming that the weather returns to seasonal norms, output will rise rapidly in the coming months," [Paul Dales](#), an economist at [Capital Economics](#), said in a note to clients.

Overall industrial production, which includes manufacturing, mining and utilities, rose 0.6 percent in February, the biggest increase since September. Industrial production had fallen 0.2 percent in January. Utility output dipped 0.2 percent despite the cold weather. The drop came after a sharp 3.8 percent jump in January. Mining production rose 0.3 percent.

Auto production rose 4.6 percent after falling 5.1 percent in January. Home electronic output increased 0.7 percent. And food production rose about 1 percent. Factories ran at 76.4 percent of capacity, up one-half of a percentage point over the month and 2.3 percentage points below the long-run average.

Manufacturing and the broader economy may be emerging from a winter slump. A rebound in factory output could drive faster growth in the coming months.

A private survey this month found that manufacturers received more orders in February even as production fell. The [Institute for Supply Management](#), a trade group of purchasing managers, said its overall index of manufacturing activity rose to 53.2 in February from 51.3 in January.

And Americans spent a bit more at retail stores in February after pulling back in December and January. That may mean that consumer demand is picking up, which could lead to more factory output. But some other data have been negative. A government report showed that factory orders dipped in January. Auto sales have slowed after a big gain in 2013. Sales were flat in February after a drop in January.

Businesses kept up their restocking of store shelves and warehouses in January even as sales fell. That means retailers and other firms could be stuck with some unwanted goods. Rising inventories could weigh on factory production in coming months if companies cut back on orders.

The economy will grow at about a 2 percent annual rate in the first three months of this year, economists forecast,

Northrop Grumman Australia Completes Acquisition of Qantas Defense Services

Northrop Grumman Australia Pty Limited, a subsidiary of Northrop Grumman Corporation (NYSE:NOC), announced that it has completed the acquisition of Qantas Defense Services Pty Limited, now called Northrop Grumman Integrated Defense Services Pty Limited (IDS), a provider of integrated logistics, sustainment and modernization support primarily to Australian Government and military customers. IDS operates as a part of Northrop Grumman Australia and is strategically aligned with the Integrated Logistics and Modernization division of Northrop Grumman Technical Services. The acquisition is not material to Northrop Grumman's 2014 financial outlook.

"Northrop Grumman IDS enhances our in-country footprint and local capabilities, and demonstrates our commitment to the Australian and regional defense markets. We expect this to be an important platform for international growth in our key focus areas of unmanned, cyber, C4ISR, and logistics and modernization," said Ian Irving, Northrop Grumman chief executive for Australia.

Source : **Northrop Grumman Corporation (NYSE:NOC)**

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Pratt & Whitney to Expand in North Berwick

The Connecticut-based aerospace manufacturer Pratt & Whitney plans to expand its North Berwick plant, a move that comes after the company secured a \$1 billion jet engine contract with the U.S. Department of Defense.

Foster's Daily Democrat reported the company plans a 19,000-square-foot expansion in North Berwick to accommodate shipping, receiving and packaging of engine modules. A spokesman for the company, which is owned by United Technologies, declined to say if the expansion would involve new hiring.

The company received the \$1 billion jet engine contract in August, an order of 38 engines for the F-35 fighter jet. Company spokesman Ray Hernandez told the newspaper that the company is negotiating with the government for additional F-35 engine contracts.



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