

# Remarks at the 6th U.S.-China Aviation Summit, Washington, D.C.

**AS PREPARED FOR DELIVERY**

Monday, September 26, 2011

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**Acting Secretary of Commerce Rebecca Blank**

**Remarks at the 6th U.S.-China Aviation Summit, Washington, D.C.**

Thank you for that introduction. Good morning everyone.

I'd like to thank the U.S. Trade and Development Agency and the Civil Aviation Administration of China, for sponsoring this Summit.

I extend a warm welcome to our Chinese guests.

I'd especially like to welcome Xia Xinghua Deputy Administrator of the Civil Aviation Administration of China, who also is speaking this morning.

I'm delighted to be here with all of you.

I am an economist by training, and as an economist, I am obviously deeply interested in issues of international trade and competitiveness, the same issues that are at the center of this event.

However, it doesn't take an economist to understand the three main reasons we're all here today.

First, China is one of the fastest growing air transportation markets in the world.

Second, American aviation companies are among the most innovative and productive companies in the entire U.S. manufacturing sector. They offer world-class products and services that can help China meet its aerospace goals.

And third, the U.S. government is absolutely committed to helping American businesses gain broader access to the Chinese market – creating win-win scenarios for our nations.

Ultimately, our success helping China meet its aerospace goals will mean more jobs here at home.

And it is job creation that so many of us in this Administration are focused on day in and day out and why President Obama released his American Jobs Act just a few weeks ago.

This bi-partisan plan, which we hope Congress passes without delay, would provide a significant

new tax cut for small businesses – and that describes thousands of firms that supply aerospace manufacturers, including foreign companies.

It will cut the payroll tax in half on the first \$5 million of wages paid by a company. And it provides a 100 percent payroll tax holiday on any new hiring or increased wages paid to existing employees.

Additionally, the Jobs Act extends the 100 percent expensing for capital expenditures into 2012, continuing an historic incentive for new capital investments.

The legislation would also empower states with new flexibility to allow out-of-work Americans to continue receiving unemployment benefits while they apprentice or take internships that will help them get the on-the-job training they need to learn the skills high-tech industries like yours are looking for.

We believe these measures and others in the Jobs Act can help give the private sector and American families a boost. It will create jobs – at least 1.5 million according to independent experts – and help rebuild critical road, railway and airport projects that are the very backbone of Commerce.

It will help kickstart the virtuous cycle: Americans will have a little more money in their pockets every month, and that will fuel demand that leads to new jobs. And new jobs mean stronger income growth, spurring more demand, and on it goes. Our economy needs this type of help today, which means that the American Jobs Act needs to be passed today so that American businesses can benefit immediately.

The President is also calling on Congress to take a balanced approach to pay for the Jobs Act, an approach that will cut our deficit based on the values of shared responsibility and shared sacrifice.

During the past decade, profligate government spending, tax cuts for the wealthy, two wars and the recession turned a record surplus into a yawning deficit.

The plan the President proposed last week puts us back on a path of fiscal responsibility. It includes measures that ask those that have done well in this economy to contribute to deficit reduction and spending cuts to a host of federal programs, ranging from farm subsidies to government civil service pensions. This balanced approach to deficit reduction spreads the responsibility for meeting this shared challenge.

Of course, amid all the talk of what we must do to improve the American economy, it's important to remember what's gone right.

That story starts with the more than 2.4 million jobs that have been created in the last 18 months. And our success at selling more of what we make to the 95 percent of consumers who live outside our borders.

U.S. exports have been a key driver of America's economic recovery. In 2010, U.S. exports of goods and services totaled \$1.84 trillion, an increase of nearly 17 percent over 2009 levels.

The aerospace industry accounted for nearly \$78 billion of this total, and we thank you.

Exports have been growing at a strong pace overall in the first seven months of this year, up 16 percent over the same period last year.

Importantly, exports support millions of American jobs, and these are good jobs. In the aerospace industry, for example, workers earn 47 percent more than manufacturing workers generally. Clearly, we would like to see the aerospace workforce grow.

And it will if the United States and China work more closely together.

Our countries share one of the most important bilateral commercial relationships in the world. Our fates are interconnected like never before.

As an economist, I spend lots of time looking at economic statistics. And the trade data show a rate of growth in the U.S.-China commercial relationship that is truly staggering.

In 2001, the last year before China's accession to the WTO, U.S. exports to China were \$19 billion. By 2010:

- U.S. merchandise exports to China totaled nearly \$92 billion, growing much faster than our exports to the rest of the world;
- China was our second-largest trading partner and third largest export market;
- The U.S. imported more goods from China than from any single country in the world; and
- Our bilateral trade in goods exceeded \$450 billion.

The remarkable changes taking place in China, as millions of Chinese citizens ascend into the middle class, present a remarkable opportunity for both our countries.

Make no mistake: The United States welcomes China's growth. As Vice President Biden wrote on his recent trip to China, "a successful China can make both of our countries more prosperous, not less. As trade and investment bind us together, we have a stake in each other's success."

Chinese leaders know China must shift from a reliance on exports, investment and heavy industry to one driven more by consumption and services. American companies and workers, including those from U.S. aviation-related industries here today, can play an important role in this transformation. An open and level playing field will speed the development of an innovative and vibrant aviation sector in China.

As recently as 7 years ago, China was the 10th largest U.S. aerospace export market, behind Brazil, Korea and the Netherlands. Yes, the Netherlands.

Last year, fueled by China's enormous demand for civil aircraft, pilot training, airport and air traffic management equipment – products and services in which the U.S. is very competitive – China was second only to France.

The Commerce Department is working to further deepen the relationship. Commerce has implemented and supported a series of programs to enable U.S. general aviation manufacturers

and service companies to be a part of the growth of the general aviation sector, for example.

Earlier this year we organized a group of American general aviation firms to tour one of China's only fixed based operator facilities, and just this month, we supported a visit by a high-level Chinese delegation that toured general aviation trade associations, government agencies and major manufacturers.

These efforts are yielding results. Georgia-based Gulfstream recently signed a \$2.6 billion Memorandum of Understanding with Minsheng Bank. Cessna confirmed one of the single-largest commercial orders from China in the company's history. And Hawker Beechcraft sold 10 percent of the entire production line of its flagship Hawker 4000 to China alone.

Meanwhile, the aviation supply chain is a critical element of the industry, generating a significant number of exports and jobs. Nine top-tier U.S. manufacturing companies won competitive contracts to build and supply the major aviation systems for China's new aircraft program, the C919.

Finally, airport infrastructure needs are fueling opportunities for U.S. companies, too. With help from the Department of Commerce, Oshkosh Corporation has won 90 percent of fire-fighting vehicle tenders from tier-one and tier-two airports over the last five years.

But great potential for further growth remains.

In China's 2011-2015 five-year plan for the civil aviation sector:

- Air passenger trade expands 11 percent annually;
- General aviation operations grow 16 percent;
- There's an increase of nearly 1,200 new jetliners; and
- The general aviation fleet doubles.

We can partner in this growth, and we already are, but impediments to fuller U.S. participation – to realizing the potential of a stronger partnership – remain.

Business leaders across America continue to express concerns --shared by businesses around the world -- about aspects of the commercial environment in China.

We are pleased with the commitments that came out of President Hu's visit earlier this year.

But one fundamental problem is often the distance between official Chinese government policies and the implementation of those policies in the real world.

We were pleased when China agreed to no civil aircraft offsets when it joined the WTO. But decisions on technology transfer must remain consistent with applicable laws, trade rules and bilateral commitments too.

It's been 10 years since China joined the community of nations committed to principles of free and fair trade. And the fact is that China has benefitted tremendously from a rules-based

international trading system.

As its government pursues its five-year plan for the civil aviation sector, this may be the time for it to take the next step and join the community of trading partners who have further committed to free and fair trade in civil aircraft and aircraft parts – by acceding to the WTO Agreement on Trade in Civil Aircraft.

I'll close with this.

U.S. history shows that the same countries with which the United States has competed most vigorously in aerospace are also our strongest partners in many ways.

The single largest competitor to U.S. aerospace manufacturers, Airbus, traditionally has been thought of as being based in France.

But France is also home to SNECMA, the 50-50 partner with GE Aviation in the trans-Atlantic joint venture, CFM International.

Brazil is home to Embraer, which has recently emerged as a significant competitor to U.S. business jet manufacturers.

However, Embraer also has many partner companies in the United States and recently set up an assembly facility in Florida.

In short, there are many models for healthy cross-national competition and partnership. We welcome a healthy economic and commercial relationship with China in the years and decades to come, with benefits to the economies and the people of both our countries.

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