

Remarks at Senate Aerospace Caucus Luncheon

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**Acting Commerce Secretary Rebecca Blank
Remarks at Senate Aerospace Caucus Luncheon**

Thank you, Marion (Blakey). Thanks for your leadership at AIA as well as the FAA and NTSB before that. I know at one point you were head of Public Affairs at the Commerce Department and it's always good to greet former Commerce staffers who've done well.

Good afternoon everyone. It's great to be with you.

Thank you, Senators Murray and Chambliss. And it's good to see staff from other Hill offices, as well as industry leaders. This turnout affirms how important this Caucus is to the aerospace industry and how much people value the work of both the Caucus and AIA.

I've worked for the Commerce Department for more than three years, and I've learned some of its history along the way. Back in the 1920s, the Air Commerce Act was signed into law. It created an Aeronautics Branch in the Commerce Department.

So even way back then, our country's leaders knew that this industry would play an important role in our economy.

Now—nearly 100 years later—the aerospace industry has expanded far beyond what anybody dreamed of in the 1920s.

Today, I'd like to touch on three areas that are particularly important in this industry right now—exporting, export controls, and innovation.

But first, let me step back and put these remarks in context.

Our economy is still digging its way out of the biggest recession since the Great Depression. The damage inflicted on the economy by the financial meltdown in the fall of 2008 was enormous. It's easy to forget that at the end of 2008, we were losing about 750,000 jobs every month.

But, because of the Recovery Act, other Administration actions, and—importantly—the resilient

spirit of industries like this, American businesses have now had 28 straight months of job growth.

That means we've created 4.4 million new jobs for hardworking Americans in a little more than two years.

Of course, we have more work to do before the economy is back to the levels of growth and activity that we all want to see. We can get there, and building on the strength of our exports is step one.

In a global economy, an important part of U.S. economic growth will come from exports. American businesses need to build it here and sell it everywhere.

Under the President's National Export Initiative, we have the goal of doubling exports by 2014. Already, exports are playing a crucial role in recovery. In fact, they accounted for over half of our increase in GDP in 2011, a year when we hit an all-time record of \$2.1 trillion in exports.

The aerospace industry is a key priority under the NEI. We want to build on this industry's nearly \$86 billion in export sales last year, and the largest positive trade balance of any U.S. manufacturing industry at \$47 billion last year.

And more aerospace exports means more good jobs.

For example, I know that Boeing is now up to about 85,000 workers in Washington State with tens of thousands more across the country. And that doesn't count the strong supply chains in those communities—which feed into Boeing production and provide even more jobs.

Overall, we've seen the number of all export-supported jobs increase by 1.2 million from 2009 to 2011. And these are good jobs that pay higher—on average—than others. So increasing exports translates to stronger economic security for middle class families.

Given the economic slowdown in places like Europe, it will be challenging to keep our exports growing strongly in the near term. But here are some things the Administration has done recently to keep exports growing:

- Signed last fall, the Korea and Colombia trade agreements are now in effect. The majority of tariffs that used to be placed on U.S. goods exported to these countries have now fallen to zero. These agreements will drive billions more in annual U.S. exports and create tens of thousands more jobs here at home. I know AIA pushed for these agreements and I thank you for your support and help.
- In addition, the Commerce Department and others groups in the administration pushed hard to reauthorize the Export-Import Bank—one of our key export partners. Ex-Im supported nearly \$13 billion in export financing for U.S.-made aircraft last year.

Beyond these steps that will help many U.S. industries, we've prioritized assistance in the aerospace industry because we know it has strong growth potential.

- That's why we recently took a trade mission to India, which plans to make dramatic investments in its infrastructure, including airports.
- That's why I recently advocated for aerospace-related sales when I visited Poland and Turkey (as Marion mentioned). In fact, we will be leading an aerospace and defense trade mission to Turkey in December.
- And that's why the administration just formed a new aviation partnership with Brazil—in part to help them build infrastructure for the 2014 World Cup and 2016 Olympics.

And—this is a crucial point—when new opportunities arise, we need to make sure that this industry competes on a level playing field. We can't afford to leave any export and job-creation opportunities on the table.

That's why the administration is calling to repeal the Jackson-Vanik amendment in order to establish permanent normal trade relations with Russia when it enters the WTO at the end of August.

Already, this industry exports hundreds of millions of dollars in aircraft and parts to Russia each year.

If Congress takes action to repeal Jackson-Vanik, we will see tariffs on these exports drop from as high as 20 percent to 7.5 percent for wide-body aircraft, 12.5 percent for narrow-body aircraft, and about five percent for engines.

Also, we'll have more tools at our disposal to address intellectual property concerns with Russia and we'll be able to take any trade disputes to the WTO, if necessary.

Some are concerned that this would primarily benefit Russia. But, in fact, we need to do this for our benefit.

If we don't repeal Jackson-Vanik, our relationship with Russia will not be subject to the lower tariffs and WTO rules that all other WTO members will experience. Our aerospace industry will be at a disadvantage compared to Europe, Brazil, Canada, and others that are gearing up to sell to Russia.

Our businesses deserve a level playing field when it comes to trading with Russia. We can and should take action now.

As we work to expand exports, we also need to maintain a strong, effective export control system. This is a national security imperative.

A lot has changed over the past 15 years in our bilateral relationships, in the global economy, in technology, and much more. But parts of the export control system still show vestiges of outdated Cold War-era threats and assumptions.

We're changing that through the President's Export Control Reform initiative.

Make no mistake. We will continue to prevent key goods and technologies from falling into the wrong hands. The Departments of Commerce, State, Justice and Homeland Security will continue to aggressively investigate and prosecute illegal exports.

But, the fact is, we can be much smarter about where we focus our resources.

For example, controlling the exports of a bolt designed for one of our fighter jets to be shipped to one of our allies who has bought one of those planes—is important. But we shouldn't control that bolt in the exact same way that we would control the sales of an entire jet.

If something doesn't perform an inherently military function—and if it doesn't provide America with a military or intelligence advantage, then our plan is to shift its control from the State Department's munitions list to the more flexible Commerce Control list.

This will allow us to put in place more logical controls on trade with close allies, while maintaining strict controls over exports and re-exports to others.

This is just common sense.

And the good news is, we've already published proposed rules in the aerospace industry, including rules related to military aircraft and engines—which is the largest category of controlled items and the largest category to be affected by this reform effort. We're currently reviewing the public comments on these proposals as we prepare final rules in this area.

The State Department will notify Congressional oversight committees of the changes to these rules in the fall. That's the last step.

In the end, not only will this result in better focus on our greatest national security threats, but we will realize other benefits too. We will increase interoperability with our allies, which is crucial to global security. We will reduce the incentives for foreign companies to avoid American-made parts—strengthening our industrial base, and, importantly, we will reduce unnecessary regulatory burdens, expenses, and red tape on exporters—which is crucial for small businesses in aerospace and aviation.

In sum, we are fulfilling what the president promised when he announced the export control effort. . . and my commitment is that we'll keep working until we get the job done.

Finally, I want to touch on a few key ways we can drive innovation because I know this is a major focus for this Caucus. It's definitely a focus for the Commerce Department.

A number of economic studies suggest that innovation—new products and new manufacturing processes—accounts for about two-thirds of U.S. economic growth since World War II. Maintaining a high-innovation economy is key to the long-term competitiveness of the U.S. economy. Let me mention three items that are crucial to maintain American innovation.

First, more innovation starts with stronger government support for R&D.

Every industrialized country in the world provides major public support for R&D. This helps universities and labs uncover the basic ideas that provide the foundation for innovation.

However, the U.S. government's direct support for R&D dropped from more than 70 percent in 1980 to 57 percent by 2008.

We need to reverse that trend. The president's new budget reflects that with key investments in areas such as advanced manufacturing R&D – crucial to this industry. And we will do this in a manner consistent with our WTO obligations.

Second, once the basic research is completed, we need to be sure that the opportunities exist to transfer ideas from labs to market.

Both universities and private sector firms worry about the problems that beset tech transfer in some key areas. At the Commerce Department, we are using our convening power to bring together research institutions with the private and public sector, to forge new partnerships and to identify best practices which can help transfer new technologies into the marketplace.

These concerns are a key reason why the president has proposed a National Network for Manufacturing Innovation. Through it, new institutes across the country will foster regional ecosystems of innovation.

These institutes will bring together researchers and inventors, startup companies, venture capitalists, small and large manufacturers, workforce development groups, and others.

These kind of investments are crucial because the next generation of aerospace products must be invented here, so that we can ensure they're actually made here.

And I should note that—just yesterday—this network of institutes was strongly endorsed in a report from the Advanced Manufacturing Partnership, whose Steering Committee includes Wesley Bush (CEO, Northrop Grumman) and David Cote (CEO, Honeywell).

Third, we need a workforce with the necessary skills to compete globally—and to continue driving innovation in the future.

In particular, this means we need more bright young people willing to enter and succeed in the science, technology, engineering, and math—STEM fields.

About 13 percent of America's college graduates earn STEM degrees. But in many of our competitor nations, it's closer to 25 percent. So we have some work to do.

That's why the president's 2013 budget reflects an increase in STEM education funding. And I strongly believe – in particular – that we must focus on ensuring more paths for women and minorities to get those degrees.

I could talk about a number of other areas where there are key policy actions that can help support a thriving private sector, but these three—exports, export controls, and innovation—are among the most important that we work on in the Department of Commerce.

Back in the '20s, when that Air Commerce Act was signed, the idea of having airports with terminals was just starting to take hold. This industry has come a long way.

But what hasn't changed is the commitment of the people in this community to create high-quality aerospace products. This industry is part of what defines America—with leadership, innovation, competitiveness, and strength.

Thank you for all that you do to help support and grow the aerospace industry. My commitment is that the Department of Commerce will continue to work closely with AIA and this Caucus in the years ahead as we build this industry and maintain our powerful edge in the global economy. Thank you.