



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on China's Emergent Military Aerospace and Commercial Aviation Capabilities

Opening Statement of Commissioner Peter Videnieks

**May 20, 2010
Washington, DC**

Thank you, Commissioner Blumenthal. And thanks to our witnesses for being here today to help us understand China's aerospace capabilities and their impact on the United States.

As many of you know, the Commission was established to examine eight areas of the U.S.-China relationship. Today's hearing touches upon two of those eight mandates. The first is the regional security impact of China's military modernization, which my colleague already addressed in his opening statement.

Today's hearing also addresses the second of our eight Congressionally-stipulated mandates, the effects of economic transfers from the United States to the People's Republic of China. This mandate directs the Commission to examine, and I quote, "the qualitative and quantitative nature of the transfer of United States production activities to the People's Republic of China." End quote.

It is clear that Beijing desires to become a major player in commercial aircraft manufacturing. China's current Five Year Plan prioritizes the development of commercial aircraft. Later this year, China will roll out its first indigenously developed commercial aircraft, the ARJ-21. Beijing is also developing a larger commercial aircraft, the C919. In addition to producing its own aircraft, China is also increasing its ability to produce components for Western aircraft firms, such as Boeing.

Yet, this substantial progress could not have been accomplished without the support of Western firms. U.S. aerospace manufacturers have moved production and assembly facilities to China. Furthermore, U.S. firms are also bidding on—and winning—contracts to provide components and advice to China's nascent commercial aircraft manufacturing industry. A subsidiary of General Electric, for example, recently won the contract to supply the engines for China's future C919. As James McGregor, former chairman of the American Chamber of Commerce in China pointed out yesterday in a Washington Post Op-Ed, "China's policies and initiatives [are] aimed at building 'national champion' companies through subsidies and preferential policies while using China's market power to appropriate foreign technology."

How will the growth of China's commercial aviation industry affect the United States? Does the movement of U.S. aerospace production facilities to China help China produce competitive commercial aircraft? How might the transfer of high tech aerospace manufacturing jobs—a cornerstone of the U.S. economy—to China impact U.S. national security? These are some of the questions we would like answered during today's hearing.

I also would like to point out that later this afternoon Congressman Bartlett from Maryland will be stopping by to provide his remarks on this important topic.

We thank you all of our witnesses for participating, and we will begin with our Administration perspectives panel.