

# U.S.-China Economic and Security Review Commission

## Press Release



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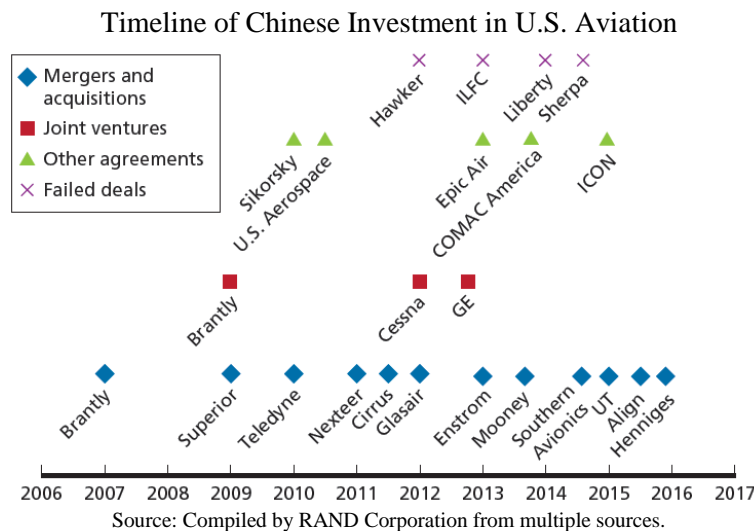
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### NEW REPORT: Chinese Investment in U.S. Aviation

Washington, DC— Today, the U.S.-China Economic and Security Review Commission released a report entitled *Chinese Investment in U.S. Aviation*, prepared for the Commission by RAND Corporation. The report examines Chinese investment in the U.S. commercial aircraft sector and its implications for U.S. competitiveness and national security.



#### Key Findings:

- China uses a whole-of-government approach, devoting significant financial and personnel resources, to create a globally competitive aviation industry. Strengthening its commercial aviation industry broadly supports Chinese military aviation in general terms (e.g., larger talent pool, scales of efficiency, greater supply chain options). However, not all commercial aviation technology is transferable to military aviation because some civil technology does not include specific military needs such as stealth, advanced forms of radar, and supersonic engines.
- Over the past decade, Chinese investment in U.S. aviation has led to 12 mergers and acquisitions, 3 joint ventures, 5 additional agreements, and 4 failed deals. These transactions have grown in scope and quantity but are limited to smaller general aviation companies with technology not particularly relevant to commercial or military aircraft. The main benefits would be on the business-process side, such as international marketing, achieving Federal Aviation Administration safety certifications, and product support.

- While China’s policies and tariffs on aircraft may compel domestic airlines to purchase and operate them, in the near term U.S. competitiveness is unlikely to be threatened because China’s large commercial aircraft—the C919—may face further production delays and operate less efficiently than existing aircraft. As Chinese aircraft improves efficiency and achieves U.S. or European certification, the competitiveness of U.S. aircraft could be negatively affected first within China, and then abroad.
- C919-related joint ventures between foreign companies and the Commercial Aircraft Corporation of China (COMAC)—particularly the transfer of engine or avionics technology—and future Chinese large commercial aircraft designs, such as wide-body aircraft co-development with the Russians, raise concerns.

The report was authored by Chad J.R. Ohlandt, Lyle J. Morris, Julia A. Thompson, Arthur Chan, and Andrew Scobell.

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*The U.S.-China Economic and Security Review Commission was created by Congress to report on the national security implications of the bilateral trade and economic relationship between the United States and the People’s Republic of China. For more information, visit [www.uscc.gov](http://www.uscc.gov).*

*DISCLAIMER: This report was prepared at the request of the U.S.-China Economic and Security Review Commission to support its deliberations. Posting of the report to the Commission’s website is intended to promote greater public understanding of the issues addressed by the Commission in its ongoing assessment of U.S.-China economic relations and their implications for U.S. security, as mandated by Public Law 110-161 and Public Law 113-291. However, it does not necessarily imply an endorsement by the Commission or any individual Commissioner of the views or conclusions expressed in this commissioned research report.*