The American Chamber of Commerce in Hong Kong
Chamber-wide Luncheon

Remarks by the Honorable Norman Y. Mineta

U.S. Secretary of Transportation

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U.S. International Tranpsortation Policy and
the U.S.-East Asia Transporation Trade Relationship

Thank you, Jon [Jon Zinke, Chairman of the American Chamber of Commerce in Hong Kong] for that kind introduction.

And thanks to all of you for that very warm welcome. I appreciate the American Chamber of Commerce in Hong Kong hosting this luncheon and the tremendous hospitality that you have extended to my wife, Deni, to me, and to our delegation – Assistant Secretary for Aviation and International Affairs Karan Bhatia, Deputy Assistant Secretary for Policy George Schoener, and our Deputy Director of Communications Brian Turmail. Let me also recognize someone who is well known to many of you, our Consul General Jim Keith.

Today is our last stop on what has been a long and productive ten-day trip through Japan, India, and Thailand.

I have discussed with leaders of all three countries how critical it is to have strong transportation systems capable of supporting broad economic growth, and open to competition and innovation. So it is appropriate to conclude our trip here in Hong Kong, where the very vibrancy of this city flows from a long-standing commitment to maintaining strong transportation ties to the world and one of the most open economies.

The United States and Hong Kong share many values. We share a common respect for the rule of law. We have been close partners in the global war on terror. We share a mutual commitment to protecting intellectual property. Above all, we share a common faith in the power of free markets and free trade to drive prosperity at home and around the world.

We are close trading partners, with two-way trade totaling 21.9 billion dollars in 2002. More than 1,100 American firms operate in Hong Kong, and some 55,000 Americans live here.

Likewise, hundreds of Hong Kong companies – including some of the world's leading transportation companies – are active in the United States. Both of our economies are the better for it.

We also share a similar concern for the importance of transportation. In the U.S., we are investing record levels in new transportation facilities to ease the flow of goods, including better port-to-rail and truck connections and expanded air cargo facilities.

Similarly, Hong Kong is investing billions of dollars in its transportation infrastructure to improve the movement of people and goods. The Lantau Container Terminal and the Hong Kong International Airport -- which is consistently rated the world's best by international passengers -- are examples of Hong Kong's commitment to investing in world class transportation systems.

Hong Kong is committed to keeping up with a world economy that is constantly evolving. It understands that needless government regulations stifle economic activity. Indeed, Hong Kong is a global leader in advancing the cause of economic freedom.

There is, however, one area where I believe Hong Kong's policies have been at odds with its otherwise strong record in favor of free trade – and that is in the area of commercial air services.

The liberalization of aviation markets is one of the most significant changes taking place in today's global economy. Across Asia and around the world, countries are moving away from the notion that transportation industries should be economically regulated.

These countries recognize that transportation is the essential conduit for moving commerce, domestically and internationally, which is precisely why so many governments are embracing "Open Skies" bilateral agreements.

Under these accords, governments agree to deregulate their international aviation markets. They designate an unlimited number of airlines to operate to, from and beyond each other's territory, to set whatever prices they see fit, to establish hubs in the territory of the other country, to offer new and innovative products. Then the governments do what is best for international aviation -- they let commerce flow where the market drives, without interfering.

Three years ago, the United States discussed the possibility of an Open Skies agreement with Hong Kong. The agreement our two economies concluded moved us in the right direction, but it didn't -- at Hong Kong's choosing -- fully open the skies between us. The 2002 deal limits the ability of U.S. carriers to serve international markets beyond Hong Kong, and imposes similar limits on Hong Kong's carriers in the U.S.

Since that time, however, the pace of change in international air services deregulation has been dramatic.

The United States now has 67 Open Skies agreements – with countries ranging from Poland to Peru, and from Germany to Jordan. A year ago, we added Indonesia to the list of Open Skies partners in the East Asia region, joining Taiwan, Korea, Malaysia, Singapore, and Brunei.

Last week, I signed an Open Skies agreement with India. And just yesterday, in meetings with Thailand's Prime Minister Thaksin and Minister of Transportation Suriya, we agreed to promptly launch discussions aimed at concluding a full Open Skies passenger agreement with Thailand in six months, to build on our existing cargo Open Skies agreement.

Countries from every region of the world, and at every level of development, are embracing aviation liberalization – even in markets that do not touch the United States.

China is embracing liberalization. Last July, I signed an agreement that provides for a five-fold increase in air cargo and passenger services between China and the United States over a six-year period. The agreement also contains "Open Skies" rights for cargo airlines building hubs in China and for any carrier seeking to operate to certain lesser-developed regions of the country.

In short, we are seeing liberalization of international air services markets around the globe. The reason is clear. Open Skies works.

Where Open Skies agreements have been adopted, travel and shipping become less costly and more widely available to the benefit of economies, airports, airlines, and – the most important stakeholders of all – businesses and consumers in both countries.

Since we reached agreement with India on Open Skies, for example, both Northwest Airlines and Continental Airlines announced new services to Mumbai and New Delhi. And last week, India's Jet Airways announced that it, too, would enter the market with new services to various points in the United States. These new services will make doing business in and with India cheaper and more convenient for business people and tourists throughout the United States.

These new services – and the competition they engender – mean lower fares. Let me give you one (admittedly unscientific) example. Yesterday, I looked up the price of a one-stop business class ticket to Hong Kong from Washington, D.C. It was $5,500. The equivalent ticket from Seoul – an Open Skies country of roughly comparable distance – was just over $3,900. And from Taiwan – another Open Skies partner -- it was $3,600, more than 30 percent lower than the fare business people in Hong Kong are paying.

For those who worry that airlines are hurt by the lower fares Open Skies bring – don't. A decade of experience suggests that strong airlines that are able to build global networks in liberal aviation markets, thrive in Open Skies environments. Where we are liberalizing, service is expanding and all carriers are seeing more business, more traffic and more revenue.

What Hong Kong should worry about is that, absent liberalization, its status as a global aviation hub is at risk.

In today global aviation market, airports that seek to function as hubs – as Hong Kong has for some many years – will only retain their status if they offer carriers the maximum flexibility and freedom possible.

I hope that Hong Kong remains an aviation hub for decades to come.

Which is why I want us to move forward aggressively in removing the remaining barriers preventing airlines from tailoring their services to respond to market demand. Negotiators for the United States and Hong Kong meet in Washington D.C. next week. I hope this meeting does not become a missed opportunity.

On the passenger side, an Open Skies accord would make it easier and more affordable for people to fly to, from and beyond Hong Kong, enhancing this city's attractiveness as a major center of business and tourism. More travelers mean more spending, a stronger economy and even greater prosperity for Hong Kong's residents.

And an Open Skies regime for cargo would enable Hong Kong to leverage its advanced telecommunications, its geographic location, and its historic status as the gateway to China to become the e-Commerce and logistics hub for the region. As competition for air cargo continues to heat up with the entrance of new airports serving the Pearl River Delta, Hong Kong must find new ways to maintain its competitive edge.

In today's global aviation marketplace fierce competition for air services and more efficient, longer-range aircraft are combining rapidly to change the landscape. In this new environment, airlines will literally bypass cities with restrictive aviation policies in favor of more liberal markets.

These bypassed cities will see fewer travelers passing through their airports, less cargo being loaded onto planes and fewer passengers arriving to do business and spend money.

Let me be absolutely clear on this point, because I know there are some who say that what is good for Hong Kong's airlines is good for Hong Kong. They are wrong. The fact is that what is good for Hong Kong is good for Hong Kong's airlines. And Open Skies are good for Hong Kong.

An Open Skies accord will help ensure that this economy maintains its status as the gateway to Asia and a leading travel and business destination well into the twenty first century.

So let me take this opportunity to call on Hong Kong to join the growing tide of economies worldwide that are embracing Open Skies.

Hong Kong has everything to gain – more passengers, more commerce, and stronger airlines – from truly opening its aviation market.

And Hong Kong has everything to lose – from its status as an aviation hub to its history as the gateway to South China – if it becomes an anachronism of restrictive aviation policies.

The U.S. and Hong Kong are old friends. We have been together through thick and through thin and we enjoy a high level of cooperation in many areas. We are indeed too close, in too many ways, to miss this important opportunity.

With that, let me thank each of you for taking the time to be here today, and for allowing me the opportunity to share these thoughts with you.

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