

Announcer:Ladies and gentlemen, please welcome John Hamre, President and CEO, Center for Strategic and International Studies, and Dennis Muilenburg, Chairman of the Board, President and CEO of The Boeing Company.

John Hamre:Okay folks. Come on, let's sit down. We've only got a few minutes and we want to get started. Would you please welcome Dennis Muilenburg.Good morning everybody, my name's John Hamre. I'm the President of the think tank here in Washington called the Center for Strategic and International Studies. I'm very pleased to be invited this morning to interview Dennis Muilenburg. I'm really speaking here on your behalf to try to bring out some of the most interesting questions and issues. Dennis of course as you all know was just made the CEO for Boeing. He is the 10th CEO and this is Boeing's 100th Anniversary Year I think so it's really quite a splendid accomplishment for Boeing. Congratulations to you, Dennis.

Dennis :Thank you, John. Thank you.

John Hamre:We're here at the conference concerning the Export-Import Bank. I remember the days, I've been in Washington for 40 years. I remember the days when Ex-Im Bank was boring and sleepy and nobody paid any attention and all of a sudden it gets caught up in a question of whether it should exist or not. What does Export-Import Bank mean to Boeing?

Dennis :Well, the Export-Import Bank is a very important part of how we do our global business. Having been partners for decades it makes the difference in allowing US industry to compete globally. I think when we take a look at industry today and the global dimensions of it it's more important than ever that we have that kind of level playing field. I'd take a look at the aerospace industry for example. Over the next 10 years, between commercial and defense, that's roughly a six trillion dollar global marketplace. It's one that's growing, one of the few major manufacturing sectors that's growing in the world.

Global air traffic for example, passenger traffic is growing at about 6-7% per year so it is an attractive market but as a result it's attracting more and more global competition. Today as a US industry we need to be able to compete globally. If you take a look at the aerospace sector it creates a great trade balance for the country as well. Last year, about 110 billion dollars of exports in the aerospace sector, about six million US jobs. That's enabled by an Ex-Im bank that allows us to compete globally so it's very important.

John Hamre:The opponents to Export-Import Bank kept saying that it was crony capitalism and that somehow it was a great subsidy to Boeing. Are you really the beneficiaries of this?

Dennis :Nothing could be farther from the truth when it comes to that comment about crony capitalism. The fact is, Export-Import Bank provides back stop financing for international customers who can't commercial financing. Per treaty that governs all aspects of Export-Import Bank, those rates that are allowed, those rate structures, are required to be no lower than commercial rate structures. It doesn't provide a financial advantage to international companies nor does it provide a unique advantage to the Boeing Company. It does enable global business but most of that benefit flows to our supply chain.

When you take a look at Boeing today we have about 14,000 companies in our supply chain in the United States. Boeing supply chain alone is 1.5 million American jobs, these are manufacturing jobs. In a day and age

when as a country we're struggling to build and grow manufacturing jobs, I can't think of a better investment in the country than to enable manufacturing growth. This is not something that uniquely benefits the Boeing Company, it's something that benefits American industry at large. When we don't have a fully functioning Ex-Im Bank it hurts the American economy, it hurts American competitiveness, and in the end it hurts the American worker.

John Hamre: You said something very important right now. You said, "We don't have a fully functioning bank." It was in last Fall that the re-authorization of the bank was overwhelming, a veto proof majority in both the House and the Senate supported it. Yet, it is still not functioning. Why?

Dennis : Well, tell you what, and we certainly appreciate the hard work that was done by the administration on The Hill last year to re-authorize the bank through 2019. That was a big accomplishment, and frankly a lot of people across industry that helped to advocate that. The fact that that re-authorization was achieved with super majorities in both the House and the Senate should tell you about the broad based support for it. In particular, we want to recognize Senator McConnell and the work he did on the Senate side to allow that re-authorization vote to come forward and that super majority should stand.

What we have today is ... One of the functioning elements of the bank is the Board that can approve any deals that are greater than 10 million dollars. Today, that Board does not have a quorum and therefore cannot operate holistically. It only has two out of the five slots filled. The administration has put forth a nomination for the third Board slot, it's a Republican that's well respected and its time to let that nomination go through. We need the Senate Banking Committee to take the action that it should take to allow that nomination to come forward and have a vote made.

The fact that we have super majorities that supported re-authorization, this deserves a vote. We want to see that nomination move forward. We ask for support from all of you to keep the appropriate pressure on our Congressional members to allow that to happen, and that we need a fully functioning bank. Without it we are starting to lose deals. I can tell you, we've received letters from airlines like Ethiopian Airlines that say they will not be able to take delivery of jets without Ex-Im financing. We have had a number of commercial satellite deals, including one with Pacific in Singapore where we have not even been allowed to compete because of the lack of Ex-Im financing availability.

We are in a competition with countries around the world that have the equivalent export-import banks, 59 other export created agencies around the world ... 59. That's what we're competing against. When we don't have one in the US it's to the disadvantage of US industry, it's to the disadvantage of American workers.

John Hamre: I'd also point out folks, this is only part of the US government I know of that makes money.

Dennis : Yeah, there is that factor. It actually contributes positively to the Treasury. I think roughly two billion dollars to the Treasury during the current administration.

John Hamre: Dennis, let me shift. We're having a very strange presidential debate here. Surprisingly, negative feelings about trade. Of course, Boeing is in the forefront of this but just take a minute to tell us about a trade dimension and how you're looking at this.

Dennis :Well, we think free trade is very important. Obviously, it's one that has allowed the aerospace business to grow but it's one that is good for the country. I think in a day and age where competitors around the world are stepping up to augment trade, to build trade, to build international capabilities, it doesn't make sense for the US to step away from trade. Now, it surely makes sense to have fair trade, to have rules and regulations in place that allow that to happen but that's exactly what's behind things like TPP. These are rule based trade approaches that allow us all to have a consistent framework so we can effectively compete around the world.

That's good for the American worker, it's good for American business. I'll give you again an example from the aerospace sector just from Boeing's standpoint. 85% of our employment is here in the US. Seventy percent, 70% of our sales are to customers outside of the US. That creates a very positive trade balance. Last year alone, 60 billion dollars of exports from Boeing and our supply chain. That's the kind of trade balance that's enabled, and we can grow with free trade agreements. That kind of structured, disciplined, rule based trade regulation as TPP represents is smart for the country and it covers about 40% of the world's GDP within that TPP envelope.

We think it's important, despite some of the rhetoric that we're hearing in the presidential campaign, that as a country we support free trade and we use that to grow American jobs. I can tell you, our history says that free trade, open trade grows American jobs, it grows manufacturing jobs. John Hamre:Obviously, we're in the middle of an election where we've got the most angry voices in primaries that are dominating. How do you feel the broad base of the American public feels about trade? Are we talking to that constituency the right way?

Dennis :Well, I think some improved clarity on the messaging would be valuable. I think in some cases free trade is getting portrayed as jobs moving overseas and certainly there are some sectors, I'll say over time where that has happened and where some improvements to trade agreements and the disciplined rules base is mandated. I think those things are in work. In fact, some of those things are again reflected in TPP. It's important to understand that free trade is not to the disadvantage of the American worker, it's to the advantage of the American worker. We know that when we are able to trade and export we grow American jobs.

We're very confident that we can out innovate and we can win in a global competition. I will bet in our American workers' team to win globally and to be able to out innovate but we need a fair playing field to do that.

John Hamre:It should be said that TPP would bring 400-600 million workers under supervised, regulated labor markets for the first time. This has to be in America's interest.

Dennis :I agree. As you just well pointed out, that rule based approach where we can consistently compete around the world ... When we have that level playing field, when we have a consistent structure we can compete and win. Competing and winning means growing US jobs. It's not about moving jobs overseas, it's about growing globally. When we grow globally we grow in the US. This is not a fixed pie kind of business that we're in where you have to decide you jobs in the US or jobs outside the US. This is a growing pie business and when we grow globally we grow in the US.

John Hamre:You're the 10th CEO for Boeing, such a proud company. Where are you taking it?

Dennis :Well, this is a great time to be in the aerospace business. I can tell you, having accepted the baton from Jim McNerny which has been a real honor, over the last decade the way he shaped Boeing and prepared Boeing for the future has been magnificent. Today we have a company that's 100 years old and with a bright future ahead. When you think about what's happened over the last century as humans went from walking on the earth to walking on the moon, from I'll say riding on horses to flying in airplanes, we've been able to be part of that innovation globally. When we look to the second century of our company, we think about what's that next step of innovation, how will we continue to grow.

We know as a company we have an important role to play in enabling global economic growth. Yeah, I look at the post signs around the kind of traffic growth that we're seeing around the world. We have about 5,800 aircraft in backlog today that represent that growing volume. The opportunity for the future is tremendous and we have an important role to play in enabling the global economy. I'll go back to my earlier point that in that global environment it's important that we can be globally competitive and that we have the right kind of playing structure to allow us to do that. I see a growing, strong Boeing in our second century. We have the right foundation in place and we're ready to out innovate in the second century.

John Hamre:Do you feel that the air traffic control organizations around the world, are they keeping technically up to speed with the kind of growth demand? I have a feeling that we're going to run into a bottleneck here.

Dennis :Right. This is one of the key areas of global investment, again, when you take a look at global infrastructure, the ability to handle this growing traffic. I'll just give you a couple of numbers. You see GDP growth that some people say has moderated in China to the tune of 6-7% a year. That's not bad. Traffic continues to grow in China at about 15% a year. In India 7%, GDP growth about 20% traffic growth. Enabling global air traffic infrastructure that can handle that kind of traffic growth is important. Similarly, the modifications that are being done here in the United States in the Next Gen System and the investments that the FAA is making. Those are important investments. That kind of infrastructure growth allows broader economic growth and, in our particular case, allows air traffic growth.

John Hamre:Seems to me we have to stand up and say we do have a marvelously safe air traffic control system in this country but it is barely keeping up with this traffic. We're experiencing some challenges about how people think about the FAA. Did you want to say anything about that?

Dennis :You can see that happening today. As you pointed out, today we have a tremendous record of safety, and safety is paramount to making our industry work. I applaud all the work that's been done there to create a safe infrastructure today. Growing the capacity of that infrastructure, leveraging the technology that's available to provide more volume in the sky, if you will, is important. Progress is being made there but in some cases, again, it's being slowed down by approvals and bureaucracy. Also, I think some of the work that's being done on streamlining certification processes within the FAA as noted in the recent FAA re-authorization, that's also an important step. A good foundation to build on but we need to make progress on growing an efficient, safe infrastructure.

John Hamre:We've just got a few minutes left. Let me ask about ... The other half of Boeing is a defense company. Where do you see this defense market going?

Dennis :Well, right now the defense market is obviously a tougher market than the commercial airplane market but even here in the US, I think, as we've had to deal with the brutal realities of sequestration, we're seeing more and more advocacy for alternatives to sequestration. We do think that's important that we get the country back on a stable, robust defense budget. One that can be planned on, one that is consistent year to year. Some of the recent reforms that Secretary Carter has noted I think will be an important part of that as well. A dependable, robust defense budget, one that we can plan on will be important for the investments that we want to make as a company.

We do see international growth in the defense business as well. It's a very important component of it. Today, a lot of people don't know it but 30-40% of our defense business is outside the US. It goes back to this global marketplace. In many cases, the commercial and defense sectors are intertwined. The technology investments that we make, the talent investments that we make are all enabled by a combined commercial defense infrastructure and stable budget environment where we can think ahead about making the long term capital investments and talent investments. We see growth opportunities in defense and space despite a tough budget environment. Then augmented with our commercial business, that combination, is really what gives us optimism for the future.

John Hamre:Just tell us a little more about space.

Dennis :All right, take a look at the space business. Satellites and human space flight are both important parts of that. The demand in the satellite business is very strong today, a lot of that driven by desires for commercial communications bandwidth. Again, commercial satellites are a very important part of the work the Ex-Im Bank does globally. The space business and the investment in human space exploration. There's also important programs like the new space launch system which ultimately will put the first person on Mars. The Commercial Crew Program, again, funded by NASA and important partnerships. We think investing in human space exploration is an important part of what our country should be doing. Not only for the value of those missions but think about the innovation and the technology it drives and the talent that it drives. It is one of the best ways to attract talent to science and technology careers, is investing in the space business.

John Hamre:I'm a defense guy. I spent 35 years of my life doing national security stuff. I will tell you that I think the re-authorization of the Export-Import Bank is a national security issue. It is important for us to have American products around the world with partners that want to have American products.

Dennis :I agree 100%. If you take a look at that, it's not just about exporting our products, our airplanes, and our satellites. It's when we have strong global trade and when we're delivering US products around the world. We're also imparting influence and partnership. I think it's much more important for the US to have that presence, that partnership around the world enabled by Ex-Im Bank than to allow that to go to some other country. When we think about national security, the talent investment, technology investment, the partnerships around the globe, there's a pretty close tie between national security, global economy, and Ex-Im being an enabler of that.

John Hamre:This conversation could go on for an hour, we've unfortunately hit the limit. Ladies and gentlemen, would you say thank you to Dennis Muilenburg.

Dennis :Thank you. Thank you, John.

John Hamre:Thank you, Dennis.