CHINA LOOKS TO ISRAEL TO GET ITS CIVIL AVIATION INDUSTRY OFF THE GROUND

News / Airlines

Chinese sign deal with IAI to build development center in Shantou in effort to expand local aircraft manufacturing.

Just a few days after the Technion broke ground on a research center in Guangdong, a second Israeli institution — Israel Aerospace Industries — announced that it, too, was establishing one in the southeastern Chinese province.

The agreement signed on Tuesday in China between IAI with the Shantou Municipal Government of China, the Guangdong Airport Authority and other Chinese partners will help, Chinese officials hope, turn the region into a center of development for China's aviation industry.

While China has excelled in manufacturing in general, to the extent that it has long been called "the world's factory," the Chinese have had less success in building a civil aviation industry — the crown jewel of manufacturing, worth hundreds of billions of dollars annually.

While Chinese-made products dominate electronics, apparel, plastics, and many other fields, the country has done far less well in manufacturing planes for civilian use, whether in China or abroad. In 2014 alone, for example, China imported over $100 billion in planes and parts from the US, but managed to export only $3 billion worth of Chinese-made products abroad.

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It’s a problem the Chinese see as an acute one for future economic growth. Already the world’s second largest market for civil aviation, domestic carriers in China are expected to increase their number of passengers by 7% annually over the next two decades, according to US government forecasts. Between 2013 and 2015, construction began on over 100 new airports in the country, and with those new airports comes a need for new planes to carry passengers between them.

By 2020, China’s top three airlines — Air China, China Southern and China Eastern — already among the top 10 carriers worldwide – expect to nearly double their fleet, and according to aircraft manufacturer Boeing, the country will spend nearly $800 billion on new aircraft in the next 20 years. As of now, almost all of that will be imported from Boeing or Airbus, the world’s biggest aircraft makers.

As to why the Chinese have not been able to make a go of it in aircraft manufacturing, there are a number of theories. A study by the RAND Corporation, for example, attributes it to a lack of skills in aerospace technology, such as avionics and engine design. China has tried various programs – educational and incentive-based – to get workers to train in these fields, but it seems that just as a group of engineers masters the technology, things in the field change, so China is always technologically a generation or two behind – meaning that it can’t compete in the world market, or event in its own market.

Can a deal with IAI – one of the world’s most advanced companies in avionics and engine design — help change that? The Chinese certainly hope so. As part of the deal, IAI will evaluate and provide recommendations to the local government of Shantou on how to develop local industries in parts production, aero-assembly lines and aviation technical education. In addition, IAI will build a professional training facility and civil aviation development center in Shantou.

The agreement was signed by Science Minister Ofir Akunis and IAI officials on behalf of Israel. Also in attendance were former president Shimon Peres, former Science Minister Yaakov Perry, Haifa Mayor Yona Yahav and Technion President Peretz Lavie. Chinese signatories and attendees included Guangdong Province Governor Zhu Xiaodan, Shantou Mayor Zheng Renhao and Li Ka-Shing, a Hong Kong business investor and one of China’s richest men.

The deal is Li Ka Shing’s second major involvement with Israeli tech in under a week. Last week, he attended the cornerstone laying of the Technion Guangdong Institute of Technology (TGIT), a technology university that will be operated jointly by the Technion and Shantou University. Li Ka Shing gave $130 million to the Technion to build the research center in China.

TGIT will begin offering undergraduate programs in civil and environmental engineering and computer sciences in the academic year beginning in November. Next year, the new joint project will conduct life sciences research using big data analysis to tackle medical and social issues, including improvements in clinical diagnosis procedures. By 2020, the institute will offer courses in other engineering-related fields, from mechanical to aerospace engineering.

Commenting on that deal, Lavie described the partnership as a major breakthrough and an opportunity to strengthen ties between Israel and China.

“When you combine the innovation and entrepreneurial spirit of Israel with the unbelievable scale of China, you have a great partnership,” he said.

The IAI deal, too, is a source of high hopes, not just for China, but for Israel as well – giving the company a huge market that it can develop and manufacture for, said Gadi Cohen, head of IAI’s

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Civil Aviation Group, who led the initiative with the Chinese partners.

“The cooperation agreement with the City of Shantou is part of IAI’s strategy to locate additional civil aviation growth drivers worldwide and particularly in China,” he said. “We are confident that these and other initiatives will open new business opportunities for us and our Chinese partners.”

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