

# BOEING'S IRAN DEAL: JOBS CLAIM IS MURKY AT BEST

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## BACKGROUND

The Islamic Republic of Iran, designated by the United States government as a state sponsor of terrorism, is complicit in facilitating war crimes perpetrated by the Syrian government.<sup>1</sup> One of the important contributing factors to Bashar al-Assad's ability to engage in these mass atrocities are the airlifts of weapons and military personnel using government-owned Iran Air and other airlines. The airlifts enable Assad to continue waging war against his own population. FDD monitors flight data for all airlines flying from Iran to Syria.<sup>2</sup>

In December 2016, Boeing announced an agreement to sell 80 aircraft to Iran Air that includes 50 737 MAX 8s, 15 777-300ERs, and 15 777-9s, valued at \$16.6 billion. In April 2017, it announced a separate sale to Aseman Airlines for 30 737 MAX airplanes with the purchase rights to 30 additional 737 MAX aircraft.

Boeing justified its recent deal to sell more than 80 variants of its 737 and 777 planes to Iran Air by asserting that the sale "will support tens of thousands of U.S. jobs directly associated with production and delivery of the 777-300ERs and nearly 100,000 U.S. jobs in the U.S. aerospace value stream for the full course of deliveries."<sup>3</sup> The data below shows this argument is murky at best.

Boeing asserted a similar justification for its signing a memorandum of agreement with Aseman Airlines to sell 30 737 MAX airplanes. In a press release dated April 4, 2017, the company stated that "according to the U.S. Department of Commerce, an aerospace sale of this magnitude creates or sustains approximately 18,000 jobs in the United States."<sup>4</sup> Aseman's CEO, Hossein Alaei, has a long professional history with Iran's Islamic Revolutionary Guard Corps (IRGC).<sup>5</sup> The IRGC exerts control over an estimated 30 percent of Iran's economy.

1. United Nations, "War crimes committed by all parties in battle for Aleppo – UN-mandated inquiry on Syria," March, 1, 2017. (<http://www.un.org/apps/news/story.asp?NewsID=56265#.WVJ72ITyvIU>)

2. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," *Testimony before the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittees*, April 4, 2017. ([http://www.defenddemocracy.org/content/uploads/documents/4317\\_EO\\_Testimony.pdf](http://www.defenddemocracy.org/content/uploads/documents/4317_EO_Testimony.pdf))

3. Boeing, Press Release, "Boeing, Iran Air Announce Agreement for 80 Airplanes," December 11, 2016. (<http://boeing.mediaroom.com/2016-12-11-Boeing-Iran-Air-Announce-Agreement-for-80-Airplanes>)

4. Boeing, Press Release, "Boeing Announces Agreement with Iran Aseman Airlines for 30 737 MAXs," April 4, 2017. (<http://boeing.mediaroom.com/2017-03-17-Boeing-Announces-Agreement-with-Iran-Aseman-Airlines-for-30-737-MAXs>)

5. "CEO of Iranian Airline to Buy Boeing Jets Has Ties to IRGC," *Real Clear Defense*, April 24, 2017, ([http://www.realcleardefense.com/articles/2017/04/24/ceo\\_of\\_iranian\\_airline\\_to\\_buy\\_boeing\\_jets\\_has\\_ties\\_to\\_irgc\\_111233.html?utm\\_s](http://www.realcleardefense.com/articles/2017/04/24/ceo_of_iranian_airline_to_buy_boeing_jets_has_ties_to_irgc_111233.html?utm_s))

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Boeing and Aseman required two kinds of licenses. First, the Joint Comprehensive Plan of Action (JCPOA) – the Iran nuclear deal – sets up a general license regime and policy for Iran’s aviation industry to secure licenses with certain stipulations. The JCPOA states that commercial airline sales are allowed under its terms, but licenses provided are conditional on Iran using the aircraft for strictly civilian purposes and that the U.S. would not perform its commitments should the aircraft be resold or transferred to persons on the Specially Designated Nationals list. The aircraft are also restricted from carrying prohibited items and cargo. Second, Boeing and Aseman reportedly received specific licenses for certain aircraft, parts, and associated services. These licenses can be modified or revoked by the U.S. Department of the Treasury at any time, including if the terms of the license are violated.<sup>6</sup>

## **BOEING EMPLOYMENT DATA SUGGESTS THAT THE TOTAL NUMBER OF JOBS SINCE 2013 HAS BEEN CUT ACROSS THE BOARD**

Boeing’s employment data shows that the company has continually cut jobs. This is due to robotics and automation improvements.<sup>7</sup> From January 2013 to January 2017, Boeing has cut its workforce by 25,643 jobs across the company (from 173,781 to 148,138). During this period, 15,074 of the jobs eliminated were from Washington State facilities where Boeing produces the 737 and 777 aircraft, the types included in the sale to Iran Air, and 737 MAX airplanes, the types to be sold to Aseman Airlines.<sup>8</sup>

<b>Employment by Location</b>	<b>January 31, 2013</b>	<b>Employment by Location</b>	<b>January 26, 2017</b>	<b>Employment Changes</b>
Alabama	2,561	Alabama	2,767	+ 206
Arizona	4,982	Arizona	3,687	- 1,295
California	19,460	California	13,878	- 5,582
Missouri	14,816	Missouri	14,064	-752
South Carolina	N/A	South Carolina	7,565	+7,565
Pennsylvania	6,207	Pennsylvania	4,661	-1,546
Texas	5,486	Texas	3,779	-1,707
Washington	86,397	Washington	71,323	-15,074
Kansas	1,347	Oklahoma	2,496	+1,149
Other Locations	32,525	Other Locations	23,918	-8,607
<b>Total Company</b>	<b>173,781</b>	<b>Total Company</b>	<b>148,138</b>	<b>-25,643</b>

**Source:** Boeing Annual Reports

6. Joint Comprehensive Plan of Action, Vienna, July 14, 2015. (<https://apps.washingtonpost.com/g/documents/world/full-text-of-the-iran-nuclear-deal/1651/>)

7. Alwyn Scott, “As Boeing booms, robots rise and job growth lags,” *Reuters*, November 16, 2015. (<http://www.reuters.com/article/us-boeing-production-robots-insight-idUSKCN0T50E420151116>)

8. Boeing, Press Release, “Boeing Announces Agreement with Iran Aseman Airlines for 30 737 MAXs,” April 4, 2017. (<http://boeing.mediaroom.com/2017-03-17-Boeing-Announces-Agreement-with-Iran-Aseman-Airlines-for-30-737-MAXs>)

Since the announcement of the Iran Air deal in December 2016 through May 2017, Boeing has cut an additional 5,761 employees across the company, 3,196 of which are from Washington State.

Notwithstanding the announcement of the Aseman Airlines deal in April 2017 through May 2017, Boeing has cut an additional 200 employees across the company, with 400 jobs being cut in Washington State where the planes in the Aseman sale are made.<sup>9</sup>

Current production at Boeing's Renton facility, which manufactures the 737 MAX, will reach 47 planes per month this year, according to Boeing.<sup>10</sup> That means that the Iran Air deal, which includes 50 737 MAX aircraft, would provide just over a month's worth of work for the facility, which would have a relatively minor impact on Boeing's workforce, given the significant backlog.

Current production of Boeing's 777 aircraft at its Everett facility is reported to be 7 aircraft per month. Boeing has announced that it will slow production to 5 planes per month in August 2017.<sup>11</sup> If the Iran deal is realized, Boeing would be capable of producing the 15 777-300ERs and 15 777-9s within 6 months at the new production level.

## **BOEING HAS REPLACED AMERICAN WORKERS WITH AUTOMATED PRODUCTION LINES AND NON-U.S. LABOR**

Since 2013, the company's production rate has steadily increased, while U.S. employment throughout Boeing, including at its Washington State facilities, has decreased. In an attempt to fill outstanding orders in its backlog of 4,506 orders for the 737 airliner and its variants,<sup>12</sup> Boeing increased its production rate at the Washington State facilities of the 737 airliner from 35 planes per month in 2012 to 38 planes per month in 2013,<sup>13</sup> and then to 42 planes per month in 2014.<sup>14</sup>

Boeing announced plans to hike production to 47 planes per month in 2017,<sup>15</sup> 52 planes per month in 2018,<sup>16</sup> and 57 planes per month in 2019.<sup>17</sup> Largely due to automated production lines, Boeing is able to increase production rates and cut jobs at its Washington State facilities to fill the orders within the United States. At the same time, Boeing announced it is building a new 737 completion facility in China to speed up the delivery of aircraft to the Chinese market,<sup>18</sup> which will not likely create new U.S. jobs.

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9. "Employment Data," *Boeing*, accessed June 27, 2017. (<http://www.boeing.com/company/general-info/#/employment-data>)

10. "Commercial Airplanes Fact Sheet," *Boeing*, March 31, 2017. (<http://investors.boeing.com/investors/fact-sheets/default.aspx>)

11. *Ibid.*

12. *Ibid.*

13. "Boeing ramps up 737 production to 38 a month," *The Wichita Eagle*, January 30, 2013. (<http://www.kansas.com/news/business/aviation/article1107520.html>)

14. Boeing, Press Release, "Boeing to Boost 737 Production Rate to 42 Airplanes per Month in 2014," June 15, 2011. (<http://boeing.mediaroom.com/2011-06-15-Boeing-to-Boost-737-Production-Rate-to-42-Airplanes-per-Month-in-2014>)

15. "Renton Production Facility," *Boeing Company*, accessed June 27, 2017. (<http://www.boeing.com/company/about-bca/renton-production-facility.page>)

16. *Ibid.*

17. Jack Stewart, "How Boeing Builds a 737 in just 9 Days," *Wired*, September 27, 2016. (<https://www.wired.com/2016/09/boeing-builds-737-just-nine-days/>)

18. "Boeing to set up first overseas factory in China," *Economic Times (India)*, March 13, 2017. (<http://economictimes.indiatimes.com/news/international/business/boeing-to-set-up-first-overseas-factory-in-china/articleshow/57616845.cms>)

## **BOEING REVENUE IS INCREASING WHILE JOBS ARE BEING CUT**

Between 2012 and 2016, Boeing's total revenue increased while the company cut jobs. Boeing's revenue increased by \$12,873 billion, from \$81,698 billion in 2012<sup>19</sup> to \$94,571 billion in 2016.<sup>20</sup> This revenue increase took place during the same period in which 12,223 jobs were cut.<sup>21</sup>

This trend continued in 2017, as Boeing cut an additional 5,761 jobs. This cut took place while Boeing announced that the Iran Air deal would be worth \$16.6 billion at list prices and that the Aseman Airlines deal would be worth \$3 billion.<sup>22</sup> No new jobs were announced as part of the Iran Air deal.

## **BOEING IS PROFITING FROM IRAN'S MALIGN ACTIVITIES**

If Boeing's sale to government-owned Iran Air and to Aseman Airlines, a non-government owned company, proceeds, the company will be contributing to Syrian mass atrocities and profiting from these horrors. In 2011, the U.S. Treasury Department concluded:

Rockets or missiles have been transported via Iran Air passenger aircraft, and IRGC officers occasionally take control over Iran Air flights carrying special IRGC-related cargo. The IRGC is also known to disguise and manifest such shipments as medicine and generic spare parts, and IRGC officers have discouraged Iran Air pilots from inspecting potentially dangerous IRGC-related cargo being carried aboard a commercial Iran Air aircraft, including to Syria.<sup>23</sup>

Lifting nuclear sanctions as part of the Iran deal should not have benefited Iran Air. Yet, as part of the JCPOA, Iran Air was removed from the Treasury Department's designation list, even though it presumably had nothing to do with Iran's nuclear program. Nor has the Treasury Department stated that Iran Air's malign activity has stopped. On the contrary, Iran Air has continued to fly from Iran to Damascus, even while the airline has no civilian route between these two cities. The IRGC may still be using Iran Air for nefarious purposes. Until Iran Air and all other Iranian airlines to whom Iran Air could lease its planes cease this activity, the Iran Air and Aseman Airlines deals should not be permitted to go unchallenged.

The perpetuation of the war also devastates an entire generation of Syrians, both those who remain in Syria and the millions of refugees fleeing the country.

How much profit for Boeing justifies the atrocities that Iran Air has reportedly helped to facilitate in Syria? Will a marginal stock price bump, along with ancillary economic activity in the U.S., be enough to justify supporting a mass murderer and a State Sponsor of Terrorism?

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19. "The Boeing Company: 2012 Annual Report," *Boeing*, 2013. ([http://www.annualreports.com/HostedData/AnnualReportArchive/b/NYSE\\_BA\\_2012.pdf](http://www.annualreports.com/HostedData/AnnualReportArchive/b/NYSE_BA_2012.pdf))

20. "The Boeing Company 2016 Annual Report," *Boeing*, 2017. ([http://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE\\_BA\\_2016.pdf](http://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_BA_2016.pdf))

21. "Employment Data," *Boeing*, accessed June 27, 2017. (<http://www.boeing.com/company/general-info/#/employment-data>)

22. Boeing, Press Release, "Boeing Announces Agreement with Iran Aseman Airlines for 30 737 MAXs," April 4, 2017. (<http://boeing.mediaroom.com/2017-03-17-Boeing-Announces-Agreement-with-Iran-Aseman-Airlines-for-30-737-MAXs>)

23. U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities," June 23, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

## **THE WAY FORWARD**

Congress has expressed deep concern about Boeing's sales to Iranian airlines. At least five pieces of legislation have been introduced that require the U.S. government to assess Iranian airlines' activities in Syria with a view toward revoking licenses of any airline that uses commercial aircraft for non-commercial activities. These bills include S. 420 - Iran Terror-Free Skies Act of 2017, S. 722 - Countering Iran's Destabilizing Activities Act of 2017, H. R. 566 - Terror-Free Skies Act, H.R. 808 - Iran Nonnuclear Sanctions Act of 2017, S. 227 - Iran Nonnuclear Sanctions Act of 2017.

If the U.S. government finds that Iran Air has been engaged in malign activity, the U.S. Treasury Department should re-designate Iran Air and then revoke Boeing's licenses for their Iran Air and Aseman Airlines deals before the first plane is permitted to be transferred.