



A bold voice for transportation workers

U.S.-CHINA AVIATION TRADE RELATIONSHIP

Earlier this year, the U.S. government commenced negotiations over a new air services, or “open skies,” agreement with China which would lead to more liberalized commercial air traffic between the two countries. These talks come on the heels of a new open skies agreement reached in March with the European Union (EU) that, among other things, recognized the importance of good jobs and “high labor standards” in the context of expanding aviation trade. While transportation labor supports market opening initiatives that promote and expand U.S. aviation jobs, we reject “cookie cutter” approaches to the complex realities of global aviation. In a context in which some have used the language of so-called “liberalization” and lowering of “trade barriers” as a rationale to decimate workforces with outsourcing, work rule changes and wage and benefit reductions, what is required is a nuanced, realistic approach that takes into account specific business, labor, political and development contexts. With respect to China, we believe our nation’s aviation trade relationship should be managed carefully.

It is premature to pursue an open skies agreement with China at this juncture. China’s aviation sector is essentially state-controlled giving its air carriers access to government capital and market protections. China also has a well known record of failing to uphold basic labor and employment standards. In fact, Chinese laws do not yet protect freedom of association for workers in choosing a union or create the set of institutions necessary to adequately define and enforce collective bargaining. And the fact that China’s aviation sector is essentially state-controlled means that the full power of the Chinese government backs industry labor-relations policies that presently prevent workers from exercising their rights under core International Labor Organization (ILO) Conventions. China has also failed to abide by existing obligations included in the current U.S.-China air services agreement and frequently runs afoul of broader trade commitments it has made in a host of other sectors. Finally, currency manipulation by the Chinese government is a well-recognized problem that has long provided the country with an unfair competitive advantage over U.S. businesses.

Given these factors and in the context of the U.S. economic situation, where the jobless rate hovers at near 10 percent and the economy remains weak, now is not the time to rush into an aviation accord with China that would put more downward pressure on U.S. aviation jobs and wages. And since it appears the Chinese government is not in a rush to reach a new accord with the U.S. there is no diplomatic downside to pausing to reflect and deliberate.

Indeed, we believe the Administration has a number of issues it must consider and address before it advances talks with China.

First, the U.S. government should study the potential impact on U.S. aviation workers of an open skies agreement with China. This study would have to examine how antitrust immunized alliances between U.S. and Chinese airlines – a foreseeable consequence of an open skies agreement between the countries – might affect existing jobs held by U.S. airline workers as well

as the potential allocation of new jobs that might be generated by such alliances. In addition, the study should examine the impact a new agreement with China would have on the outsourcing of aircraft maintenance work to that country. While we understand that aircraft maintenance is not directly covered in an open skies agreement, there is little doubt that if flights between China and the U.S. increase, the economic incentive for outsourcing will undoubtedly increase. This is especially problematic given that under current regulations, U.S. carriers can outsource work to stations in China and elsewhere that are not subject to the same drug and alcohol testing rules, oversight and security protocols. Before an agreement with China can move forward, the U.S. must understand the broad employment ramifications of such a move.

Second, any further liberalized agreement between the two countries would have to include a labor article more robust than the one embodied in the recently signed protocol amending the U.S.-EU Air Transport Agreement. Any labor article should state, at a minimum, that the two sides recognize that the rights and jobs of workers are protected, that aviation employees should benefit by the agreement, and that the intent of the agreement is not to undermine labor standards. The article would also have to require both countries to abide by ILO core labor standards as explicitly reflected by its conventions and accompanying jurisprudence.

Third, it must be ensured that in any revenue, profit and/or cost-sharing arrangement involving U.S. and Chinese airlines, that U.S. airlines perform a percentage of the actual flying. TTD's Executive Committee has previously called for enactment of legislation that would prohibit joint ventures between U.S. and foreign carriers that call for the foreign carrier to perform most, if not all, of the actual flying. These types of arrangements only serve to threaten job opportunities for both flight crews and ground personnel and cannot be allowed to go unchecked. In the context of joint ventures with Chinese airlines that also secure anti-trust immunity, these arrangements are especially problematic and cannot be permitted under an open skies agreement.

The Administration's decision whether or not to seek an open skies agreement and under what terms should be undertaken on a case-by-case basis. The implications of reaching such an agreement with China should be given particularly careful consideration. China's three major airlines already hold an advantage over other competitors having received billions of dollars in state aid since 2008 alone. Their costs, including labor costs, are not transparent. Their employees have no right to collectively bargain or even the right to select representatives to represent them in connection with labor-management matters. There is little ability for their pilots and other employees to even leave and seek work elsewhere. In these circumstances, it is difficult to see how revenue sharing alliances between U.S. and Chinese airlines – which China will surely expect to flow from an open skies agreement – will benefit U.S. aviation workers. A more deliberate U.S. approach will help workers in the U.S. and China by giving the nascent Chinese independent labor movement more time to develop and build strength in the aviation industry.

In the context of our government's broader goal of pursuing market-opening agreements in the aviation sector, open skies talks with China can hardly be treated as a routine international trade matter. Proceeding with a one-size-fits-all policy runs the risk of jeopardizing U.S. airline jobs at a time when our economy can ill-afford any further erosion. We call on the Administration to postpone further open skies negotiations with China and first begin a deliberative process that

studies the impact of a China accord on employees; develops a robust labor article that establishes strong and enforceable labor standards; and embraces a new policy that ensures any joint ventures and other cost-sharing arrangements that flow from an open skies deal with China ensure significant U.S. air carrier participation and create U.S. airline jobs.

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