Mexican and US autoworkers face Ford plant shutdowns

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After announcing in April a $2.5 billion investment to build a new small-vehicle plant in Mexico and confirming in September that it would relocate its small cars manufacturing there in the next two or three years, US auto giant Ford is now temporarily suspending production in both the US and Mexico due to an alarming decline in sales.

The decision follows a company statement last week that it would stop production of the Mustang for a week at a Detroit plant amid slumping sales. Third quarter revenues registered a 6 percent decline, while profit for the quarter was down a whopping 55 percent from a year ago. Total year-to-date US sales are down 8 percent from 2015. Retail sales declined 4 percent while fleet sales are down 21 percent.

Four plants are affected by the decision. In the US, these include the Kansas City assembly plant, where the bestseller F-150 is made, and the Louisville assembly plant, where production of the Escape and Lincoln MKC will also be suspended.

In Mexico, the Cuautitlán Stamping and Assembly Plant in the State of Mexico, which puts together the Fusion and MKZ sedans, and the Hermosillo Stamping and Assembly Plant in the State of Sonora, where Fiestas are assembled, were temporarily shut down for, respectively, one and two weeks. It was announced that last Monday operations would resume in both plants.

A total of 9,000 workers in the US and 4,000 workers in Mexico are affected by the suspensions. While it was announced that US workers with at least one year of experience would receive about 80 percent of their paycheck, it is unclear whether Mexican autoworkers received any compensation.

In the US, new hires with less than a year on the job are going to suffer more severely the immediate consequences of the United Auto Workers' betrayals, as new contracts have created a multi-tier workforce and include substantial wage reductions and benefit losses. As for Mexican workers, they are told that they should be grateful for keeping their jobs after the shutdowns.

Mexico has undergone a sizable industrial expansion in recent years. Employment growth from 2010 to 2015 hit 186 percent for certain sectors. The auto industry increased employment 41 percent in that period.

International capital has targeted the Latin American country for its cheap labor and its desirable geographical position. It serves as an ideal base for shipping to the 45 countries that are parties to its 10 free trade agreements, the signatory countries of some 32 bilateral Investment Promotion and Protection Agreements with Mexico and all the countries participating in the nine trade agreements (Economic Complementation and Partial Scope Agreements) within the framework of the Latin American Integration Association (ALADI). Mexico is also a member of the Trans-Pacific Partnership Agreement (TPP).

Auto giants have taken full advantage of a vast low-paid labor force. According to some estimates, the average manufacturing wage is little more than US$2 an hour, not only a fraction of that paid to European and American workers, but 40 percent less than the prevailing wage in China.

Enormous profits are extracted in Mexico through the exploitation of its workers, often toiling in slave-like conditions. The unions are viewed as either impotent or complicit in the exploitation of workers by these large corporations, while local governments are famous for offering investors free land, tax breaks and infrastructure while workers are subject to police repression.

The temporary shutdowns highlight a critical economic slump and the interconnectedness of world economy. Mexico exports vehicles to the US, Canada, China, South Korea and most countries in Latin America. So far this year, Mexican auto industry output is down 5 percent compared to 2015.

The Ford F-150 is the best selling vehicle in the US and made up 90 percent of the automaker's global profits during the second quarter. However, Ford registered a 3 percent decline in sales of that model in September from a year before, in addition to substantial consecutive contractions in the recent two quarters.

Such a decline is a clear sign of decreased consumer purchasing power, especially when one considers that more than half a billion dollars of pre-tax profit in the third quarter is derived not from manufacturing, but from Ford Credit, the company's finance arm.

The contradictions of capitalism are bursting at the seams: on the one hand, the system seeks to transfer onto workers the brunt of the crisis; on the other hand, by diminishing workers' ability to buy commodities, it further escalates the crisis by inhibiting demand and precluding a further development of the productive forces.

Moreover, as in the case of several expanding economies, growth in Mexico is dependent on the ability of the world market to absorb its industrial output. The US is a major market: a contraction in sales there snowballs to all countries which supply US demand. The result is a shrinking economy with a likelihood of further suspensions or closures.

The Mexican economy shrank 0.2 percent in the second quarter this year, following a timid 0.8 percent growth in the previous period, falling below the modest market expectations of 0.1 percent growth. It was the first contraction since the second quarter of 2013, due to a drop in industrial output.

Worse yet, Mexican workers are some of the most impoverished in the world. According to the Organization of Economic Cooperation and Development (OECD), the gap between wealth and poverty is larger in Mexico than in any other OECD country. Mexico's richest 10 percent make more than 30 times what the poorest 10 percent earn. The country's bottom 20 percent does not make enough to ensure three meals a day.

At the end of 2014, Mexico's 16 billionaires were worth $9 billion on average, where the 25 million people who make up the bottom 20 percent were worth an average of $8. Moreover, in 2014, Mexican workers toiled an average of 2,327 hours, compared to US workers, who labored 1,796 hours, or German workers, with 1,302 hours.

Living conditions in 25 percent of Mexican towns are similar to sub-Saharan Africa in terms of healthcare, illiteracy, and homes without toilets or solid floors.

These figures elucidate why international capital seeks investments in countries like Mexico. It's also clear that workers must draw conclusions from the world situation. In the US, they are being pitted against their Mexican brothers and sisters in a race to the bottom, as companies and trade unions collude in a relentless assault on workers' living standards under the guise of global competitiveness.

Such is the bankruptcy of nationalism, which seeks to transfer profit losses derived from international competition onto workers. In the US this was the foundation of the Obama administration's "insourcing," a restructuring process that essentially brings labor costs in America in line with Third World levels.

US workers, like their Mexican brothers and sisters, are paying for a world crisis that's not of their making with closures, job losses and a decline of living standards. In other words, they are all getting poorer.

The unions, and in particular the American United Auto Workers (UAW), saw to this bitter pill being force-fed to workers, blackmailing them with the prospect of losing jobs to non-American workers. Hence, the repeated betrayals: in 2009, Obama and the UAW ensured the halving of wages for newly hired autoworkers and the dismantling of health and pensions benefits. Then, last year, the new contract created a sub-tier of unprotected workers who stand to lose wages, if not jobs.

Within the context of North America, Canada is no exception: Unifor, the Canadian autoworkers union, is defending the rotten contracts with General Motors and Fiat-Chrysler Automobiles and preparing for the imposition of a similar deal at Ford based on the two-tier model developed by the UAW.

The crisis requires an independent international mobilization of workers across North America, joining together US, Mexican and Canadian workers against their common enemy: world capitalism and its supporters, including the trade unions, facilitators of capitalist exploitation.