

Up to 400,000 jobs threatened as US sanctions deepen crisis of Russian auto industry

Clara Weiss
2 May 2019

In mid-April, Russian billionaire Oleg Deripaska declared that the Russian auto company GAZ might declare bankruptcy and collapse under the impact of US sanctions. According to a report in the *Financial Times*, this could threaten up to 400,000 jobs, including tens of thousands of manufacturing jobs.

Deripaska owns a two-thirds share of GAZ through his JSC Russian Machines company and is among the oligarchs close to Putin who have been targeted by the US sanctions imposed in early 2018 by the Trump administration. Deripaska managed to get the aluminum giant RUSAL and his company EN+ off the sanction list in December 2018, by giving up his majority share. He has declared that he is in negotiations with the US Treasury Department over removing GAZ from the sanctions list as well but doubts they will be successful.

Last year, the German auto company Daimler pulled out of the GAZ group, and Volkswagen declared earlier this year that it was forced to discontinue negotiations with GAZ. US sanctions ban foreign companies from entering into contractual relations with Russian companies and individuals targeted by the sanctions. The sanctions also ban Russian companies and individuals from accessing US and Western credits.

According to Deripaska, the company has “no chance of surviving” if the sanctions are continued. He said GAZ could shortly declare bankruptcy and might be nationalized.

The GAZ group controls some of Russia’s oldest and biggest auto factories. Among them is the GAZ (short for *Gorkovsky avtozavod* or Gorky Auto Factory) in Nizhny Novgorod, which was co-founded by the Supreme Soviet of the National Economy (VSNKh) and Ford in 1932 as part of the industrialization efforts of the Soviet Union. The factory famously survived the

Second World War when it switched to the production of tanks for the Red Army to fight the invading Nazi Wehrmacht. In a process typical of the restoration of capitalism in Russia, the factory was taken over by Nikolai Pugin, the former Soviet minister for the auto industry, after the dissolution of the USSR in 1991. It passed over to the hands of the newly formed GAZ group in 2005. Despite massive cuts especially in the wake of the 2008 crisis, when about half of the factory’s workers were laid off, the plant still employs some 25,000 workers.

Other major factories controlled by the GAZ group include the LiAZ bus factory near Moscow, which employs over 2,000 workers, and the Ural Automotive Plant, founded in 1941, in the city of Miass in the Chelyabinsk region in the Urals, which employs some 4,000 workers.

The declaration of the GAZ group’s potential bankruptcy comes just weeks after the American car company Ford officially announced it was shutting down its Russian production, destroying some 3,700 jobs, as part of a global wave of layoffs. The possible collapse of the GAZ group is part of the global restructuring of the auto industry. This has found a particularly sharp expression in Russia, which, since the beginning of the Ukraine crisis in 2014, has been targeted by blatant acts of economic warfare through sanctions by US and European imperialism.

Russian media reports have indicated that Ford’s decision to withdraw from Russia was at least in part a response to the sanctions. The Russian auto market has shrunk severely over the past years, largely as a result of a staggering rise in poverty and decline in real wages. The entire Russian auto industry is reported to be running at only 40 percent of capacity.

As has been the case in all countries where the US

has engaged in this kind of economic warfare, be it Iran or North Korea, the sanctions have hit the working class hardest. While oligarchs like Deripaska, who became wealthy through plundering the resources of the Soviet Union and the super-exploitation of the Russian working class, have seen their personal wealth reduced—Deripaska’s fortune reportedly declined from US\$10.7 billion in 2010 to US\$3.3 billion in 2018—millions of Russian workers have plunged from poverty into utter destitution.

The sanctions and the declining oil price on the world market have triggered a rapid devaluation of the ruble, which is now worth 50 percent less than a decade ago. The number of people officially living in “extreme poverty” has climbed to almost 20 million in 2018, which is roughly 13 percent of the total Russian population of 140 million. Based on numbers by the news agency RIA Novosti and the newspaper *Nezavisimaya Gazeta* from December 2018, about half of the population earns less than 26,900 rubles a month (US\$415). According to the *Business Insider*, in 2013, before the onset of the sanctions, Russians were able to buy 40 percent more goods and services than they could in 2018.

A recent study found that 80 percent of Russian households are struggling to buy even basic necessities. According to the study, 10 percent of households could not afford to eat meat or fish three times a week, 11 percent of households cannot afford to buy vital medicine, over a third of households cannot afford two pair of shoes, 49.1 percent cannot afford even a week of holiday per year and 52.9 percent cannot afford sudden, unexpected expenses.

Meanwhile, Putin and his government officials have themselves photographed with shoes, watches and cars whose value often exceeds by many times anything the average Russian worker will ever earn in a lifetime.

Deripaska is one of the most widely hated oligarchs and universally known for having become rich through winning the bloody aluminum wars raging within different sections of the rising mafia-oligarchy in the 1990s. He is now trying to exploit the sanctions to whip up Russian nationalism and portray himself as a victim, alongside the Russian population, of the US economic warfare. However, the truth is that the Russian oligarchy under the Putin regime has responded to the economic warfare by imperialism by deepening their

own assaults on the Russian working class. Most significantly, in 2018 the Russian Duma rammed through the raising of the retirement age for women and men by five years, a measure that was opposed by over 90 percent of the population.

The working class in Russia cannot confront the escalating attacks by imperialism and the Russian oligarchy without turning to a socialist program and breaking from all sections of the political establishment and the trade unions. Russian workers must oppose the reactionary nationalism promoted by the Putin regime and the capitalist class. Workers internationally, including teachers in Poland and the United States, the Netherlands, India, Hungary, and Mexico, have begun to go on a counter-offensive against decades of growing social inequality. They are the true allies of Russian workers in their fight against austerity, layoffs and the danger of war.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact