

Why is Canada giving two automakers \$30 billion dollars in subsidies for EV battery production?

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Canada's federal and Ontario governments have pledged subsidies of close to \$C30 billion to entice Volkswagen and Stellantis, two of the world's leading automakers, to build electric-vehicle (EV) battery production facilities in St. Thomas and Windsor, Ontario. Coming in the run up to next month's expiry of contracts covering 170,000 Detroit Three autoworkers on both sides of the Canada-US border, the tax exemptions and other financial support underscore that the Canadian state stands fully behind the profit-hungry car manufacturers as they offload the cost of the transition to electric vehicles onto autoworkers.

Stellantis, in partnership with the South Korean-based battery manufacturer LG, extorted \$15 billion from the federal Liberal and Progressive Conservative Ontario governments in June, weeks after suspending construction on their Windsor battery plant. The two governments had originally provided the Stellantis-LG joint venture with some \$1 billion in public funding. But the two companies threatened to renege on that deal unless the federal and provincial governments pledged support comparable to the \$13 billion in tax subsidies they had provided Volkswagen to break ground on its first battery plant outside Europe in St. Thomas in April.

The global restructuring of the auto industry

The record-breaking giveaway of public funds was deemed necessary to lure Volkswagen and Stellantis away from the United States, where the recently enacted Inflation Reduction Act provides billions in production subsidies for EV batteries, and from Mexico, which offers manufacturers extremely cheap labour.

The global auto industry is undergoing a major transformation with a shift in production away from the traditional internal combustion engine, which burns fossil fuels, to vehicles which are powered, for the most part, by lithium ion batteries. The auto companies are seizing on this development to slash the jobs and living standards of workers in every country, while pressuring governments to fork over massive public subsidies to pad their bottom lines. The union bureaucracy in every country backs this race to the bottom, due to their nationalist, pro-capitalist orientation and corporatist partnerships with the state and big business aimed at upholding the interests of their "own" ruling elites.

If Stellantis is able to net the full C\$15 billion from the federal and provincial governments over the next 10 to 15 years, which is based on meeting production targets, this would amount to C\$6 million per worker, given that the Windsor plant is projected to employ 2,500 workers. Such a sum would more than cover its entire labor cost at the facility for three

decades, meaning that the governments of Canada and Ontario are providing Stellantis with a free workforce into the second half of this century. The same goes for the Volkswagen facility in St. Thomas.

Stellantis CEO Carlos Tavares told the *Toronto Star*, "It was difficult to get this agreement inked at the end of the day but it was rewarding." He added "Yes, I was ready to pull the plug and use the alternative scenario that we always prepare for this kind of situation," a reference to the company's plan to move the Windsor operation across the border to the United States if it didn't get its way.

Volkswagen is the world's largest automaker by revenue, pulling in more than US\$300 billion over the last four quarters. Stellantis, which owns popular North American brands Chrysler and Jeep, posted revenue in excess of \$100 billion in the same period. Both are massive multinational corporations with production facilities in North America, South America, Europe, Africa and Asia. Volkswagen produced 8.72 million vehicles in 2022, while Stellantis' operations put out just over 6 million. LG meanwhile is one of the largest electronics manufacturers in the world. In 2022, the Seoul, South Korea, headquartered corporation posted \$66.77 billion in revenue in 2022, an all-time high.

The Liberal government and its supporters in the mainstream media have boasted that the subsidies will secure Canadian imperialism an important place in the emerging global EV industry, provide new jobs and even combat climate change. "We're winning. We're in the big leagues, ... and others are looking (on)," crowed Industry Minister François-Philippe Champagne. In early June, before the C\$15 billion price tag was revealed, Prime Minister Justin Trudeau told reporters that the governments' new offer to Stellantis was "respectful of the taxpayer dollars," and that it was "reasonable to create great jobs for the future, for generations to come, to secure a future in communities across southern Ontario and to ensure that Canada is fully contributing to the net-zero world."

Unifor shills for the auto bosses

The leadership of Unifor, the union which has over 20,000 members at Stellantis, GM and Ford assembly and parts plants in Canada, backs the Trudeau government's twin policies of war abroad and economic nationalism at home. Accordingly, Unifor and its predecessor, the Canadian Auto Workers, have for decades pitted Canadian autoworkers against their American and Mexican counterparts under the phony guise of saving "Canadian jobs." During the last round of contract talks in Canada in 2020, Unifor agreed to corporate-friendly terms aimed at

encouraging older, higher-paid workers to retire and facilitating the expansion of temporary workers. This has enabled the automakers to more easily lay off workers during their EV transitions and hire new employees when their plants reopen, at much lower wages.

Unifor has similarly acted as a shield for the auto corporations in their push for ever larger tax breaks and subsidies to attract production north of the border. When Stellantis suspended construction at the Windsor battery plant, Unifor president Lana Payne intervened to demand that Trudeau and Ontario's Tory Premier Doug Ford open the money spigot and give Stellantis and LG whatever they wanted. "I am incredibly proud of the work our union did defending these auto jobs and standing up for the bright EV future our members were promised," Payne declared in a statement when the exponentially larger handout for the Windsor plant was announced in June.

Unifor expects that it will be able to easily expand its dues base into the new EV battery plants with the support of the companies, even as jobs are shed in the retooling of the assembly plants and the auto parts supply chain. Given that EVs are less complex than internal combustion engine vehicles—with 20 moving parts compared to more than 2,000 on average—it will take significantly less labor to produce each vehicle. By one estimate EVs require 40 percent less labour to produce. The automakers are using this to carry out huge job cuts, as well as to press for major reductions in pay and benefits.

The last time that Ottawa provided significant subsidies to the automakers at the urging of the unions was in the midst of the 2008 financial crisis. They were bound up with and tied to plant closures, wage cuts, attacks on conditions for new hires and the implementation of multi-tier wages—all of which were presented as necessary to "save" Canada's auto industry. Between 2008 and 2021 total employment in the country's auto sector fell from 150,000 to just over 120,000, with jobs shed across auto parts and assembly operations.

The EV transition and geostrategic great-power conflicts

The ambition of the Trudeau government, with the backing of the social-democratic NDP and the unions, is to make Canadian imperialism a significant player in the emerging global EV industry, through the development of a complete domestic EV supply chain from mining and processing to battery manufacturing and vehicle assembly.

Recent discoveries have shown that Canada has the mineral reserves needed for the construction of EV batteries, which would allow it to compete with China. The latter currently dominates the market for the production and processing of the raw materials that go into the lithium ion and nickel batteries needed to power EVs.

The transfer of strategic supply chains away from China is a critical component of the war plans being pursued by American and Canadian imperialism. In addition to strengthening the North American ruling elites' position in many critical emerging economic sectors, securing ready and dependable access to the raw materials needed for the construction of EVs dovetails with Washington and Ottawa's plans for the expansion of arms production, as many of these materials are also vital for the manufacture of high-tech weaponry and military equipment.

However, as of now, much of Canada's mineral reserves remain untapped in remote, hard-to-reach areas of the country. For example, while Canada ranks sixth in the world for proven reserves of lithium, it only has a single active lithium mining operation, located in rural Manitoba. The Ring of Fire region in northern Ontario, which was found to have rich deposits of nickel, copper and other minerals more than a decade ago, remains years away from possible active mining.

Canada has favourable access to the American market across the shared almost 9,000-kilometer-long border, thanks to the NAFTA renegotiation, which was aimed at securing North America as a united trade bloc, directed against China and other rivals, including Europe. Former Unifor President Jerry Dias, who resigned in disgrace over alleged corporate kickbacks last year, served as a close adviser to the Trudeau government throughout the talks which lead to the signing of the US-Mexico-Canada Agreement in 2018.

While it is tied to American imperialism by a thousand threads and pursues a common imperialist agenda in the war against Russia in Ukraine and the preparations for war with China, the Canadian bourgeoisie also seeks to pursue its own interests in competition with the US. This includes trying to lure companies, which could easily set up factories on the other side of the border, with generous public subsidies.

This is all the more critical for Canada's capitalist ruling elite as a global restructuring is under way in which all governments are competing to entice major auto makers to set up shop in their countries or to retool, rather than shutter, their existing operations. The US, as noted above, is providing generous product subsidies for EV battery manufacturers, while in Europe the automakers, in collaboration with the nationalist unions, are pitting workers against each other in a race to the bottom in terms of wages, working conditions and plant operations. Over the last two years, Ford has pitted workers in Germany and Spain against each other to see which union would offer the greatest cuts and to gin up subsidies from both governments.

The current talks between the Big Three and the UAW in the US and Unifor in Canada are a critical turning point as the automakers develop their transition to electric vehicles. Above all this raises the question of who will control this new technology and who will benefit from it. The automakers see the EV transition as a golden opportunity to eliminate jobs and intensify worker exploitation, while the unions aim to keep their seat at the table and shore up their dues base while maintaining their corporatist policies, which have allowed for the shuttering of factories and a massive erosion in workers' living standards. The industrial strategy of Unifor and the Canadian Labour Congress is tied to the ambitions of Canadian imperialism and its war plans against Russia and ultimately China, including in securing access to critical minerals, "in-shoring" production, and building "resilient" production chains.

In the face of the transition to EVs, the working class must develop its own strategy, which places these technological advances under workers' control. Only as part of an internationally coordinated planned economy under the democratic control of workers themselves can the latest technological developments be deployed for the benefit of society as a whole—such as by reducing the length of the working day with no reduction in pay—rather than serving as the instruments of the auto giants and other capitalists to wring more profits from autoworkers and build more lethal weapons.

Canadian autoworkers must turn to their brothers and sisters in the United States and Mexico, who work for the same transnational corporations, to unify their struggles on the basis of a socialist and internationalist program.



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