

# Automakers announce billions in Brazil investments after jobs bloodbath imposed by unions

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After one year of the new government of President Lula da Silva of the Workers Party (PT) marked by continued cuts of autoworkers' jobs and wages, the big automakers are announcing tens of billions in new investments in Brazil.

In January, Volkswagen and General Motors announced additional investment packages of US\$1.8 billion and US\$1.4 billion, respectively. Stellantis, after announcing annual profits of US\$20 billion in 2023, has promised to present its investment plans for Brazil later this month.

These announcements are the culmination of a series of meetings between Lula and his vice president, Geraldo Alckmin, and businessmen from the automotive industry.

On December 31, the government made official the "Mover" government subsidy program for the auto industry, updated with guidelines for the transition to the production of hybrid and electric vehicles. The National Association of Motor Vehicle Manufacturers (ANFAVEA) estimates that US\$20 billion will be invested in Brazil by 2028.

Lula's auto program is part of a series of pro-capitalist measures approved over the past year, including the IMF-supported tax reform dubbed the "fiscal framework" and the "New Brazil Industry" state investment program. The central aim of these measures, as government officials have incessantly declared, is to bring "predictability" and "competitiveness" to the country, i.e., to present Brazil as a cheap labor platform for big corporations.

As with investment announcements in the past, the billion-dollar sums trumpeted by the Lula government will not mean an improvement in workers' wages and standard of living. On the contrary, in the big corporations' plans the new electric vehicle industry under development will be operated under a regime of even more intense exploitation than today. Electric vehicles use only a fraction of the parts used in the production of combustion engines, requiring 30 to 40 percent less work, and will be accompanied by the implementation of automation processes based on new artificial intelligence technologies.

Under the control of the capitalist oligarchy, these technical advances of an objectively progressive character are being turned against society, used to deepen the offensive against the working class. In this offensive, the ruling class sees the trade unions as central agents for breaking down workers' resistance and preventing an uprising that would jeopardize corporate plans.

On the factory floors it is an accepted truth that trade unions, despite maintaining the facade of "workers' organizations," have in fact become organs of a privileged bureaucracy that acts in collusion with corporate management against the interests of the working class. This role played by the trade unions in the capitalist regime, rarely admitted publicly, was openly acknowledged by Volkswagen management at an official government event alongside the trade union federations.

On February 2, an event announcing the expansion of Volkswagen investments in Brazil was attended by Lula, high-ranking government figures and union leaders. The company recognized the PT government's economic policy as an important element in the decision to launch the new investments. However, Volkswagen Brazil's president Ciro Possobom pointed to the ability of the unions to suppress the workers' opposition in favor of corporate profits as the decisive factor for the "largest post-pandemic investment by an automaker in the country."

He said that the announcement "reinforces our excellent relationship with the unions, who approved the 2023 agreement, which is fundamental for the realization of our investments."

At the same event, the president of the ABC Metalworkers' Union, Wellington Damasceno, complemented Possobom's speech by advocating the strengthening of the alliance with the state and companies. Damasceno said: "The Brazilian state needs to be committed to strengthening the unions ... This investment announcement shows that it is not true that where there is a

strong union, the company is less competitive. Quite the opposite, here we discuss labor relations and investment.”

The contract cited by Volkswagen’s CEO as representative of the “excellent relationship with the unions” was originally approved in 2020 and extended last November. After announcing 35 percent job cuts amid the catastrophe of the COVID-19 pandemic, Volkswagen demanded in August 2020 that the terms of a contract guaranteeing “predictability” be approved. The unions at Volkswagen’s four plants in Brazil promptly complied. The contract allowed the company to implement cuts “depending on the behavior of the market,” i.e., any time shareholders decide to cut costs to boost profits.

A report published by ANFAVEA shows that there has been a loss of 20,000 automotive jobs between 2019 and today, a bloodbath that has continued under Lula. The latest data shows that light commercial car production grew by 1.3 percent in 2023 and sales increased by 11.2 percent. However, between December 2022 and the same month last year, the number of workers in the automotive industry had fallen from 103,800 to 98,900.

The cuts in the automotive industry have come amid a decline in the social conditions of workers as a whole, with data from the Brazilian Institute of Geography and Statistics (IBGE) showing that the national average monthly income in 2022, of 1,586 reais (US\$320), was still below the 2019 income of 1,668 reais (US\$337), even as purchasing power was significantly eroded by inflation.

The role of the unions in destroying jobs in the name of “competitiveness” played out even more directly in the recent strike by GM workers in the state of São Paulo. The central aim of the strike launched by the workers in October was to reverse the 1,200 layoffs announced by the company. This struggle, however, was diverted by the unions into an impotent campaign appealing to the Lula government and the courts.

The CSP-Conlutas, led by the Morenoite Unified Socialist Workers Party (PSTU), played the most critical role in this betrayal. Falsely presenting itself as a combative and “internationalist” trade union tendency, the Morenoite bureaucracy allied itself with the United Auto Workers (UAW) to isolate the simultaneous strikes at GM and other automakers in Brazil and the US. Alongside the other Brazilian trade union federations, CSP-Conlutas buried the strike at the São Paulo plants by announcing a false “victory” to the workers. Weeks later, the unions imposed the company’s planned cuts through a program of “voluntary layoffs” and, soon after, GM announced its billion-dollar investments in Brazil.

The offensive against jobs and wages, which extends throughout the automotive industry and beyond, could not

proceed without the services of the corporatist union apparatus, which represents a critical component of the PT’s own government program.

The “Mover” program—a partnership between unions and the state to attract investments through “tax incentives” and shrinking labor costs—ran under different names in the previous governments of the PT, as well as those of Michel Temer and Jair Bolsonaro. These measures have neither protected jobs nor prevented cuts, as was explicitly demonstrated with the closure of all Ford plants in the country in 2021, devastating the economy of entire towns and throwing tens of thousands of workers onto the unemployment lines.

However, after years of social cuts imposed by capitalism, an eruption of class struggle is taking place worldwide, both in the centers of imperialism and in historically backward countries. This is also true in Brazil, where the coming to power of the Lula government has not meant a reduction in strikes, which intensified in the first half of 2023 compared to 2022, according to published data from Dieese.

In recent strikes in the automotive industry, from the United States to Mexico, workers have clashed with the corporatist union apparatuses and pointed the way to a global unification and rank-and-file control of struggles through the building of the International Workers Alliance of Rank-and-File Committees (IWA-RFC).

Workers in Brazil must organize the struggle against the wave of cuts being prepared by transnational companies and the Brazilian government. This struggle requires building independent organs of struggle opposed to the unions and all organizations supporting the capitalist state, and unifying with workers’ struggles around the world through the IWA-RFC.



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