

# The state of the European car industry

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**This is the introductory report presented by Jean-Claude Vessillier (an activist in the NPA and a former Renault worker) at the begining of the European Conference of Workers in the Car Industry, held at the International Institute for Research and Education in Amsterdam on May 28-29, 2011. We have already published the Declaration of the European Car Workers' Conference [1] and an overview at Creating cross-border links between militants [2]. Over the next few weeks we will publish the individual reports from particular countries [IVP].**

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In Europe, restructuring and job losses continue in the car industry, a sector which combines in the most intense fashion the ecological, social and economic crises of capitalism, while remaining one of the continent's largest employers.

The recession which in 2008-2009 led to historic lows in car production in Europe, North America and Japan has for now passed. Most world car groups saw a return to profit in 2010 at the price of blows against employment, working conditions and wages. But in Europe, the factors at the origin of the recession are still present and the current return to profit does not mean exit from the crisis, in particular for the employees.

The aggression of job losses should not hide the fact that the European car industry employs in its factories and design offices three and a half million workers, or one tenth of all European manufacturing industry. The facts and data are stubborn: the car industry in Europe is not a sector on the path to extinction. Levels of employment, wages, working conditions and relations of forces with workers continue to be decisive issues for the employers.

The industrial implantations of the European car industry have been geographically extending for fifty years. After the old European imperialist countries it was Spain and Portugal which would constitute new areas of implantation in the 1970s. And in the 1990s, it was the turn of the countries of Central and Eastern Europe to be sites for the construction of new factories.

In the 1960s and 1970s, factories with tens of thousands of workers existed in Germany, France,

Italy and Britain. This concentration favoured the creation of relationships of force which made the sector the advanced element of workers struggles. The social confrontation continues, but in the opposite direction; under the pretext of crisis, the employers wish to make the car industry the example for reactionary counter reforms, resting on the fear of unemployment to reverse the gains and collective agreements won by employees in previous decades.

The recession of 2008-2009 is not a simple “accident” after which the car industry would resume the same course with the same sites of production and sales zones, the same modes of exploitation of workers, and the same firms selling the same products. It is necessary to examine the current conditions of exploitation of the workers, with their traditional and new forms in the context of the crisis which continues to sap all the capitalist economies. These concrete experiences in the different European countries and different firms should be shared so as to begin to construct common and coordinated responses.

### **New areas of growth, still the same groups**

The capitalist globalization of the car industry is a long term process. From its industrial beginning the techniques of production and forms of exploitation of workers were copied with more or less delay and with a trend towards growing internationalisation of exchanges. From the 1930s, the methods initiated in its US factories by Ford generalised to all industrial countries. Since the 1960s the same US, Japanese and European groups have controlled car production. Since globalisation is not, of course, a finished phenomenon, each geographical area experiences differentiated developments, even if the big recessions have a tendency to become increasingly synchronised.

The North American market is marked by strong and frequent falls, followed by spectacular revivals and this has been the case since the beginning. In past decades, the European market has grown more regularly, with clearly less marked recessions. As for the car industry in China, there is no historic precedent to such a strong increase in demand in a continent: an increase in annual registrations of new vehicles of more than 7 million in five years! Neither the US of the immediate post war period, nor Europe in the 1960s had experienced such a boom. The Chinese market has within 10 years arrived at the level the USA reached over 80 years.

The important fact in this early century is certainly the growth in car production and sales in Asia and in particular in China, which has since 2008 become the biggest world market for car sales! In 2010, the Indian, Brazilian and Russian markets were at the level of the main West European markets, or between 2 and 3 million cars. As a direct consequence of this growth the new sites of massive car production are the sites of new social confrontations. Strikes in recent months in Chinese car factories witness to this permanence of class struggle regardless of periods or continents.

### **The recession is over but the crisis is still there**

It is in this context that the violent recession of the sector, concentrating all the consequences of the world crisis which has ravaged the capitalist economy, took place. The maximum number of cars produced in the world had in 2007 been more than 73 million. The total in 2009 was 61 million, or a fall of 12 million vehicles, -17% between 2007 and 2009. It is a considerable fall, of a breadth not seen since the Second World War. The two preceding oil shocks had very much more limited consequences: a fall of 5 million from 1973 to 1975, and 6 million from 1979 to 1982.

One can really speak, in 2008-2009, of a collapse of production in the USA, the flagship country for cars since the 1930s. The level of car production in the USA in 2009 was that of the pre 1950 period. In 2010, the increase in production allowed catch up with the levels of the 1960s.

In Europe, the breadth of the recession has been less than in the USA and at different levels of intensity according to the country. In the UK and in Italy, the falls in production have been of an equal scope to the collapse observed in the US. In Germany and France, scrappage schemes involving public subsidies for the purchases of new cars largely allowed the maintenance of levels of sales. If they have been preserved, the same is not true of levels of production. The fall in production has been strongest in France, compared to the evolution of sales levels. Among European car builders, the French have been the most active in profiting from the crisis to internationalise their production.

From the end of 2010, the level of 2007 was reached, but this total figure on the world scale covers a great geographical diversity. This catch up and even increase in car production was attained thanks to the growth observed notably in China, and also in India, Russia or in Brazil. On the contrary, in the “old” car countries of Western Europe, Japan and North America, the increase in production observed starting from 2010 has not yet made up for the falls observed during the recession.

### **The crisis of capitalist overproduction of the car industry**

In Europe, the crisis of the car industry continues to have the characteristics of a crisis of capitalist overproduction. Europe is the geographical area of the world where competition among car builders is the sharpest. All the globalized groups — North American, European, Japanese and Korean— are present there to sell and produce cars. On the contrary, a number of European firms, notably Renault and PSA, are absent from North America, while production in Japan is essentially provided by national enterprises alone and 99.5 % of the cars sold in South Korea are manufactured in the country.

In Europe, all the manufacturers are present in a geographical area where car sales no longer have an upward trend: since the mid-1990s, sales oscillate around the figure of 20 million cars. The countries of Western Europe have gone through a phase of stabilisation since the 1980s and the sales increases observed in the countries of Central and Eastern Europe are not significant enough to modify this trend to stabilisation. The overall equilibrium observed at the European level implies a fall in production in Western European countries like France, Italy and Spain. Capitalism functions under the dictatorship of “always more”: more production for more profit. The fact that car production is no longer increasing significantly in Europe means that the car industry has no other future than crisis.

This trend to the stabilisation of car sales in Europe is structural. The current levels of car ownership in the countries of Western Europe will never be exceeded. The purchase of new cars is increasingly reserved to the richest and oldest fractions of population. Wage austerity throughout Europe will weigh still more on the purchasing possibilities of employees. Car use will become increasingly difficult with petrol increasingly rare and dear. Individual transport by car is one of the main causes of global warming, leading to new standards that the capitalists and bourgeois governments will be obliged to install.

Faced with such a situation, the classical capitalist policy is to seek other outlets. The option is blocked of finding possible new outlets for material production of cars in Europe. The groups who control production there as well as in the other continents will increasingly less use Europe as a platform for the export of finished cars to other parts of the world. It is an irreversible fact that only

a European chauvinist nationalist viewpoint would wish to challenge.

Non-growth of production in Europe and presence of all the car groups leading to sharpened competition: the causes of capitalist overproduction are there. Production capacities are only used at two thirds: this indicator is provided by the European car builders themselves. Even if the latter might swell the figures to better justify their factory closures and suppression of jobs, the reality is very much there.

And this situation worsens because the manufacturers continue to invest: the logic of completion and the maximisation of profit are at work. So much the worst for the unused overall production capacities, each firm wishes to have more productive and profitable equipment than the competitors. Despite overproduction, new equipment and entire factories are either transformed or newly built. The objective is to put in service more productive and profitable machines, but also to break up work groups which, on the basis of the daily organisation of labour, serve as a support for micro resistances in the workshop. A new factory and new equipment presents the opportunity to destroy such groups and impose harsher working conditions.

### **Generalised competition and relocations**

European car builders have plunged into capitalist globalisation. The first consequence is the growth of exchanges. Contrary to the nationalist discourse growing in Europe, the development of these exchanges takes place more between countries in Europe than between Europe and the rest of the world. What characterises this growth of exchanges is a generalised competition among firms, constructors and components manufacturers, factories and countries at the world level.

The car industry is not in the situation of other industrial sectors, for example textiles, where production has been massively relocated to low wage countries. Even if this trend should decline, Europe continues to be a continent from which manufactured cars are exported. The enterprises of the European Union have benefited from capitalist globalisation. Whereas the decade 1990-2000 saw a weak growth of exchanges, they grew threefold in the decade 2000-2010. The industrial relocations observed in several western European countries are the sub product of this global phenomenon.

Europe is still a car exporting geographical zone and this result is not mainly due to the countries of Central and Eastern Europe where wages are effectively the lowest. The main European car exporter country in relation to the rest of the world is Germany. On the other hand, France, Italy and Britain have deficit balances, importing more cars than they export.

Another fact to remember - for France, for example, the most significant deficit in terms of foreign trade exchanges, is not in relation to the low wage countries, but to Germany. Facts are stubborn: it is first and foremost the competition between capitalist firms in the richest countries which is at the origins of the exchanges of cars between countries and geographic zones with effects to the detriment of wage-earners

It should also be noted the car production records observed in China are above all destined for that country. Without prejudicing what will happen in the coming years, there is today virtually no export of cars manufactured in China towards Europe or North America. Car groups of the first rank like the German group Volkswagen, invest in China in partnership with Chinese capitalist firms, to produce for China and other Asian countries. Chinese cars are not invading the streets of European cities. Also car exchanges are in all geographic directions - the threats of relocation are not one way. The blackmail practiced in France or Italy is practiced also in the countries of Central and Eastern

Europe. In Poland, Fiat and General Motors Opel put Polish factories in competition with those of other European countries.

No nationalist response or submission to the laws of the globalised market: in each factory threatened with dismantling, and whatever the country, the immediate struggle is of course, based on the rejection of blackmail and the diktats of the employers. And the solidarity of all, beyond the national frontiers of each country, should go towards each factory and workshop thus attacked by the employers. The exchange of experiences is especially indispensable on this question: rather than nationalist responses, the struggle against reaction means responding to the internationalisation of the employers by acts of solidarity among workers.

### **Differentiated European employer strategies**

Capitalist globalisation applies to all car builders. But each firm internationalizes under its own terms. Among the European groups, it should be noted that the strategies followed by the Renault and Fiat groups are different from those followed by Volkswagen or PSA.

Renault was a nationalised enterprise until 1986. Its privatisation was undertaken by the different governments of the right and the Socialist party. The privatised Renault cemented in 2000 a capitalistic alliance with the Japanese group Nissan. The Renault Nissan alliance tends to take its distances in relation to the historic base of Renault. The financial seat of the alliance is situated in Holland, for tax reasons, but also to escape the over-tight control of the French government which remains owner of 15% of the share capital of Renault. The consequence of this is a forced march internationalisation of Renault as much from the viewpoint of shareholders as of production activities. The Renault Nissan alliance has become unbalanced to the benefit of Nissan which has become the more profitable enterprise. The profits recorded by the Renault company stem in great part from the dividends paid by Nissan profits.

Fiat, the product of one of the big Italian industrial groups, has cemented an alliance with Chrysler and gone on to acquire a majority stake in it. This will be a new group where the old Fiat will be no more than a component. Manifestly the policy of Fiat's current CEO is to extricate the company from its Italian historic base to insert it in the policy of a globalised group. If the recent threat not to invest in Italy certainly amounts to pure blackmail, it reflects this desire to construct a new group less and less dependent on Italy.

The orientations of Renault and Fiat seeking to construct new groups and alliances which are autonomous in relation to their countries and states of origin are problematic. The experience of the recession of two years ago has shown that the governments of the bourgeoisie were very useful for, in the last resort, providing all risk insurance to falling enterprises and employers. And the desire for independence of the current leaders of Fiat and Renault comes up against this reality. Fiat and Renault workers are today the most affected by this policy with jobs in decline in Europe and particularly in the historic countries of origin of each of these two firms.

The biggest European car builders, Volkswagen, VAG, and the French group PSA have also plunged into capitalist globalisation. The VAG group is present on every continent and sells and produces more cars in China than in Germany. Volkswagen has bought up a significant number of other companies, first and foremost European ones. But unlike Renault or Fiat, these are not alliances. The shareholders of Volkswagen have always preserved full powers of ownership and decision making. The brands bought out were always smaller. And it should be noted that the link maintained between the VAG group and its imperialist reference state, Germany, has allowed it to guarantee its globalised development.

With a more reduced size than the VAG, group, PSA has for the past century belonged to the same family of capitalists which plays a significant role in the political arrangements of the French bourgeoisie. Until now the family which owns Peugeot and PSA has rejected dissolving its shareholder rights in bigger conglomerates.

These disparities in employer strategy are not necessarily durable. So far as France is concerned, Renault, the product of a post second world war nationalisation, was the enterprise where the workers were the best organised, in powerful trade unions, unlike the Peugeot and Citroën factories, characterised by “house” Unions in thrall to the employers. And Renault is now at the apex of the fall in car production in France. But the demands of shareholders, whether an old family of European rentiers in the case of PSA, or pension funds in the case of Renault, are the same. Industrial capitalism does not oppose financial capitalism for rapacity and the exploitation of the workers. And in France it is PSA which envisages the closure of one of its main factories at Aulnay in the Parisian region. But the key question for workers is overcoming each of the partial experiences originating from the exploitation practiced in each firm to build a front of common struggle.

### **Fall in jobs and material dispersion of production activities**

Each of the crises marking the history of the car industry has led to new mergers and restructurings between firms. The concentration in capital of the sector will again increase. But a new element, which is also amplifying in the crisis, is the combination of this phenomenon, in particular in Europe, with a dismembering of the human and material processes of production.

The time of the great workers’ citadels of thousands of employees is part of the past in Europe. Only the Volkswagen site at Wolfsburg has more than 50,000 employees. The average size of the other most significant European car factories is around 10,000. Car production is increasingly divided between assembly factories, motor mechanics factories, component manufacturing establishments and various levels of subcontractor.

The fall in employment in the car industry did not begin in Europe with the last recession. Fiat, Renault or PSA are the champions of it. It is firstly the consequence of processes of automation in the factories and the restructurings-concentrations which affect the whole car industry. The internationalisation of exchanges and the crisis of outlets only historically intervened later. That is why a real solution to job suppressions does not lie in an impossible increase in production but rather in a reduction of working time which would allow a division of the work available among all.

Less than a quarter of the value of a car is today directly produced by the manufacturer, who puts a label on the finished product, whereas this proportion was half in 1990. Besides the car manufacturers properly so called, the car components manufacturers are in an active phase of concentration and restructuring.

The earthquake and the tsunami which ravaged Japan highlighted the dependency of numerous European car manufacturers in relation to electrical parts manufactured in Japan and installed in cars manufactured in European factories. The most visible consequences have been stoppages in production in numerous European factories for lack of components produced thousands of kilometres away.

The workers in the subcontracting enterprises, suppliers of components or car builders have been the first affected because it is there that it is “easiest” to close a factory. The phenomenon of relocations is especially intense in the subcontracting enterprises: the purchasing departments of the big car groups outbid each other all the more when the parts bought can be easily transported



In France, struggles have broken out in small and medium enterprises under the blow of closures decreed by distant head offices. In each factory thus attacked, even if it belongs to the car networks, we are far from the finished car product. The designation of the big manufacturers as order providers, that is to say as responsible for the jobs suppressions, is the precondition for broadened movements throughout the sector.

## **What crossroads between climate emergency and workers movement?**

The question of the conjuncture in Europe between the social movement which has begun to emerge around the climate emergency and the workers' movement in the car sector faces us. In this area there are no givens. It is not possible to subordinate the necessary and urgent resistance to attacks on jobs, wages and working conditions to an agreement and a shared understanding of the ecological dimensions of the crisis striking the car industry.

It is certainly financial interest which guides the behaviour of the car industry. It matters little to them that road transport — car and heavy vehicles — is the sector which has most increased carbon emissions over the past ten years. On the other hand, the irreversible rise in the price of oil and its end as an abundant source of energy forces the car industry to implement other solutions. It is not about the wellbeing of humanity but a strictly financial interest for the car manufacturing groups. The manufacturers, after decades without serious investment in these areas, begin to prepare hybrid motor and electric vehicles. What they haven't done in the years of growth — their first concern being the dividends of their shareholders — they claim to undertake now.

But the crisis of the car industry will not be resolved with technological recipes. Electricity is produced in most European countries by thermal power stations running on oil and coal, and in France by nuclear power stations threatened by the Japanese disaster at Fukushima. This type of technological solution is not a response to the structural factors of the crisis in cars.

Whereas public transport is privatised and gets worse, the battle for the maintenance of a service accessible to all is a matter of social urgency. Of course new means of public and semi-public transport remain to be invented. The resources for this social invention exist first and foremost among the workers of the sector. But how can this creativity be deployed without workers' control over production and without confrontation with employers who are not concerned about the social utility of the commodities they sell on the market.

As Lars Henriksson, a Swedish worker in the Volvo factory puts it, "If we do nothing faced with this and simply hope that others will do it, there is the likelihood that we will find ourselves out of a job. To transform car production can appear an impossible task for us who work at the lowest levels of the enterprise. But the truth is rather that we are alone in being able to do it! No aid or solutions can be expected from the bosses".

Under the pretext of the crisis, everywhere in Europe the employers are on the offensive in the cars sector. The previous periods were accompanied by the conclusion of collective and branch agreements. That reflected the relationship of forces that the workers' movement had imposed though a history of worker and trade union struggles.

The presence and orientations in the factories and enterprises were varied. There were simple "house" unions directly under the thumb of the employers to control the workers from the workshop to the home, not forgetting their leisure activities. There were unions who went along with the employers' policies but wished to dispose of a genuine power of negotiation with the bosses. And there were still more combative orientations preserving the independence of the workers'

movement, as well as currents with a perspective of self-organisation of the workers and a class struggle without concession.

Nuances are increasingly less possible. And there is less and less place for the intermediary positions of the workers' movement: the confrontation between that movement and the employers cannot be avoided in the face of the offensives from the latter. That is what is revealed by the aggression undertaken by Fiat Mirafiori in Turin against the FIOM.

The practice of "blackmail referendums" has spread: Fiat in Turin, General Motors in Strasbourg, Nissan in Catalonia, Continental in Midi-Pyrénées in France. It is a veritable wave which in all these cases resorts to the same recipes: to go around the representative trade unions to address the workers directly with the same blackmail: either the rollback of existing conditions, or the closure of the factory.

But counter examples of successful struggles also exist. Near Bordeaux, Ford Europe has been forced to buy out its own factory for the manufacture of mechanical parts that it had itself sold some years ago to an asset stripping component manufacturer. This struggle lasted several years and finally ended in this buyout and the promise by the directorate of Ford Europe to maintain a thousand jobs on the site.

What is urgent is a counter offensive, all together against the employers' policies. But that is no easy thing. The big car groups know how to both develop their competition and coordinate at the national, European and global levels their policies towards the employees. The effective coordination of struggle and resistance among workers should be put on the agenda of the whole workers' movement in Europe.

Let's begin by sharing and exchanging experience, discussing demands, refusing to accept this capitalist crisis.

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**P.S.**

\* Translation International Viewpoint.

\* Jean-Claude Vessillier is a retired statistician and a former trades unionist at Renault. He is a member of the Nouveau parti anticapitaliste (NPA, France) and the Fourth International.

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## **Footnotes**

[1] See on ESSF (article 22168): [Declaration of the European Car Workers' Conference](#).

[2] See on ESSF (article 23107): [European Car Industry : Creating cross-border links between militants](#).