The economics of the North American auto industry

How global auto parts corporations profit by exploiting Mexican workers

By Shannon Jones
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The massive strikes by *maquiladora* workers in Matamoros, Mexico, have brought to public light the highly exploitive conditions faced by those laboring for global auto parts makers and other manufacturing industries along the US-Mexican border.

There are 345 “Tier 1” auto suppliers with a presence in Mexico, according to a recent report by ProMexico, an organization set up by the Mexican government to promote international trade and development. Some 65 percent in direct investment in Mexico is in auto-supply-related industries.

The profits extracted off the backs of Mexican workers are a source of enormous enrichment for stockholders and CEOs of the transnational auto parts suppliers, many of them based near Detroit, Michigan.

Auto parts production in Mexico is closely integrated with the global car market, with many of the parts made in Matamoros and other cities shipped to the US. The border crossing at Brownsville, Texas, handled trade worth $14.7 billion in 2017. Auto parts are Mexico’s second leading export, behind petroleum.

The following are profiles of just a few of the multinationals and leading personalities involved in auto parts production in Mexico.

Aurora, Ontario-based Magna is the world’s fifth largest auto parts manufacturer, with $39 billion in sales in 2017 and pre-tax income of $3 billion. It recently opened a plant in Querétaro, Mexico, to manufacture molded and exterior parts. It employs some 24,000 workers in Mexico at 30 different facilities including in Matamoros.

Don Walker, Magna CEO, is one of the most heavily compensated executives in Canada, with $20.4 million in salary. In addition, he has $25.4 million in stock options that he has not exercised and $10.2 million in stock-based wards that have vested but not been paid out.

Lear Corporation, based in Southfield, Michigan, has some 46,000 employees in Mexico and operates 23 plants, according to one report. It recorded sales of $21.1 billion in 2018 and net income of $1.15 billion. In 2017, its top five officers took in some $34 million in executive compensation, including former president and CEO Matthew Simoncini who alone received $14.8 million.

Autoliv, based in Auburn Hills, Michigan, outside of Detroit, bills itself as the world largest automotive safety supplier. It has manufacturing plants in Tijuana, Matamoros and Lerma, with three manufacturing plants in Querétaro, and employs a total of 11,000 in Mexico. It makes airbags, seatbelts, seatbelt webbing and airbag cushions. Workers at the Autoliv plant in Matamoros were among the first to go on strike, and workers now report the company is firing workers in retribution.

The company reported pretax income of $506 million in 2017 on sales of $10.4 billion. Mikael Bratt, president and CEO of Autoliv, pulled in a relatively modest $1.7 million in executive compensation in 2017. Mats Backman, Autoliv chief financial officer, made $1.5 million.

French-based auto parts maker Faurecia operates 14 plants employing 10,000 in Mexico. The company recorded $24.17 billion in auto component sales in 2017. It is the sixth largest auto component maker in the world and produces seats, interior systems and emission control technology. The company’s US operations were recently the subject of an exposure by the *World Socialist Web Site Autoworker Newsletter.*

Typical of the rapacious character of global auto parts manufacture is Dura Automotive. Its Matamoros factories produce parking brake cables and body engine release cables and other components for major auto manufacturers including Ford, Fiat Chrysler, General Motors, Honda and TRW, Subaru and KIA.

The owner and CEO of Dura, Lynn Tilton, is described by *Forbes* as a “self-made woman,” with estimated net worth of $830 million. As founder and owner of private investment firm Patriarch Partners, she buys distressed companies, carries out brutal downsizing and then sells them for a profit. In 2016, the Securities and Exchange Commission filed fraud charges against Tilton and Patriarch Partners alleging that the true value of funds it managed were hidden from investors.

Tilton reportedly commutes to her New York office by helicopter and “owns homes in Florida, Arizona, Hawaii, and an Italian villa on Lake Como, just up the mountain from George Clooney,” valued at $60 million or more.

In an interview with *Forbes,* she boasted of owning $25 million in jewelry and another $10 million in aircraft. She reported that she has a reality show about her business (“Diva of Distressed”) in the works with the Sundance Channel. She showed the *Forbes* reporter a statement from her accountant of assets like gold, silver and cash totaling $544 million.

Tyco International is another multinational conglomerate with operations in Matamoros. It merged with Johnson Controls in 2016 to form Johnson Controls International plc.

The company’s former chief financial officer, Mark Swartz, and former CEO, Dennis Kozlowski, were convicted in 2005 of crimes related to the receipt of $81 million in unauthorized bonuses, the purchase of $14.7 million in art and the payment by the company of a $20 million investment banking fee to a former Tyco director.

Another Tyco executive, Edward Breen, who replaced Kozlowski, got a golden parachute when he left his post as CEO of in September 2013, with compensation, retirement pay, stock and other perks valued at more than $150 million.

Breen, who remained Tyco chairman, got an additional $30 million as a lump sum pension payout in 2016, Tyco says. He has since been named CEO of Dupont, where he received 2018 compensation of $13.7 million, and also serves as a director of cable giant Comcast.

Another major player in the auto parts industry in Mexico is International Automotive Components Group IACG, formed by now US Treasury Secretary Wilbur Ross in 2006. Ross became notorious as an asset stripper, buying distressed companies and then imposing major attacks on workers and retirees. He worked with the United Steelworkers union to rob tens of thousands of retirees of their pensions at LTV Steel and other companies.

A ferocious advocate of trade war within the Trump administration, the firms Ross operates exploit the labor of workers all over the world. The single-minded drive by the Trump administration to scapegoat immigrants and to build a wall with Mexico is bound up with the determination of the ruling class to keep workers in Canada, Mexico and the US divided in order to be able to more efficiently exploit their labor.

Up until June of 2018 the president and CEO of IACG Steve Miller, the former head of Delphi Automotive, Aptiv, another major auto parts manufacturer with operations in Mexico. He is a ruthless enemy of the working class, using the bankruptcy of Delphi in 2005 to impose massive job cuts and concessions onto workers and retirees

Following the Delphi bankruptcy Miller spelled out a vision in which low wages in China, Mexico and other less-developed countries should set a standard for slashing wages and pension benefits in the US. He called decent pay, defined benefit pensions and retirement after 30 years of employment an anachronism that American business could no longer tolerate or afford.

Taking aim at Medicare and Social Security, he wrote, “The overwhelming voltage in the political third rail of touching these entitlements will forestall corrective action for years, but the problem will only grow. I fear something like intergenerational warfare, as young people increasingly resent having their wages reduced and taxed away to support social programs for their grandparents’ income and health-care concerns.”

At the same time as he was slashing jobs and pay for workers, Miller became notorious for handing out hefty compensation packages to Delphi executives. Miller himself received a multimillion-dollar signing bonus when he was hired as Delphi CEO just months before taking Delphi into bankruptcy.

This is the background of the strikes by workers in Matamoros who have courageously sought to pry back a tiny portion of the profits extracted by the transnational corporations.