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## Why US Automakers Make Vehicles and Source Parts in Canada

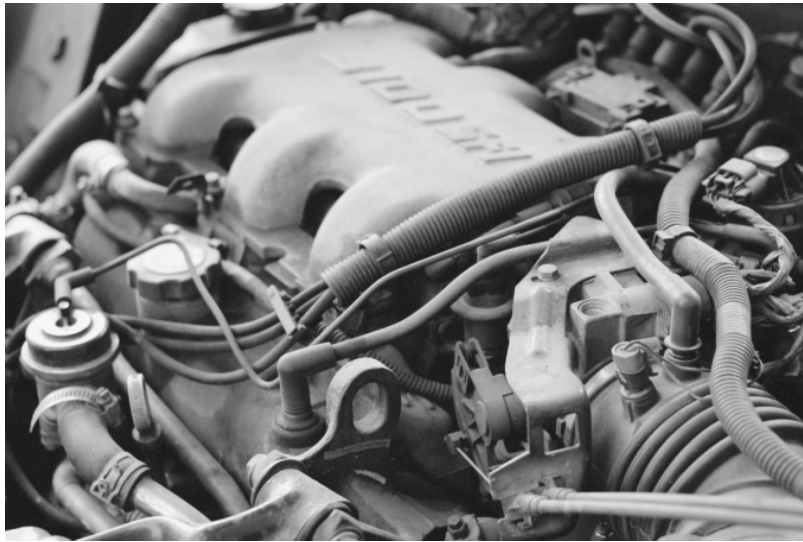


Photo by Jorge César

President Trump is blowing up the global economy with threats of extortionate tariffs being placed on imports from foreign countries to the US. He sometimes makes the ludicrous claim as in the case of Canada, that it is because Canada “isn’t doing anything” to stop the fentanyl that is allegedly “pouring across the border” into the US with no effort made to stop it. More often, he accuses Canada of unfair trade policies.

He claims for example that Canada is shipping Canadian-made GM and Ford vehicles made in Canada into the US, tariff free and that these should be made in the US by American workers, at the same time that he complains Canada is dumping cheap steel into the US, where much of it is used to make cars! (How vile is that?). In both cases his solution is to slap the Canadian imports with a 25% tariff penalty.

The thing is, there is a reason so many US cars get built in Canada, and probably why so much of the steel used in the US is produced in Canada and sold to US manufacturers. And

that reason is not that Canadian workers make less than workers in the US or that Canadian automakers and steel plants are subsidized by Canada. In fact Canadian workers do quite well, because they have much stronger unions than does the US. In fact the Canadian chapter of the United Auto Workers split off from their American UAW parent in 1985 largely because its leaders and members correctly felt that the US parent union wasn't militant enough).

No, the reason a lot of auto and truck manufacturing was shifted away from Michigan and other parts of the US to Canada was because of the enormous cost per vehicle the US car companies were paying for health care coverage for their workers and dependents — which is now thousands of dollars per vehicle, and that's not counting the cost of retiree health care. Canadian companies' employee health care costs are a pittance compared to US companies.

These days those numbers are not easy to find, but a 2006 [article in the Lancet](#), a noted British medical journal, reported that year that GM President Rick Wagoner had told a Senate committee in Washington that the US cost of healthcare system (a third of which goes to administrative costs and the profits of insurance company middlemen, was causing the near bankruptcy of his company. Speaking at an industry conference the year before Wagoner noted that expenditures for health care accounted for 15% of total US economic output, 50% more than Canada was spending on its government funded health system. GM he said, was spending close to \$6 billion on health for its employees and their families. The situation in the US has only gotten worse since then.

Today, US healthcare spending is running at a \$4.9 trillion level, representing a record 16.9% of the nation's \$29-trillion GDP, and is headed towards 20% of GDP by 2030.

None of the major car producers, whether in low-wage countries like China and Korea or high wage countries like Japan, Germany, France or Italy face those kinds of costs to cover for their employees, who all live in countries where there is some form of nationally funded health care system in which the costs of health care are funded through universal taxation, not by individuals or by employers.

This is why German automobiles and French automobiles are able to compete in the US auto market, even though their workers are paid higher hourly wages than their counterparts in the US.

If Trump, an ignorant rentier for whom the idea of paying decent wages to his workers is I am sure anathema, genuinely wanted to make America competitive again, he wouldn't be screwing around with protective tariffs. That would just let America's greedy capitalists continue as before. Instead he would be using one of his Executive Orders to actually do

something good and expand Medicare to cover all Americans of all ages, immediately freeing not just the auto industry, but all American manufacturers from the enormous cost burden of paying for their employees' health benefits.

Of course the ancillary benefits of such a shift would also be that Medicaid, the federal program for low income people, which he reportedly wants to slash, would no longer even be needed, because everyone in the country, employed or not, would have their health costs covered by Medicare, currently the program for the elderly and permanently disabled. The same is true for with the Affordable Care Act, which we know Trump hates because it was an Obama administration creation.

The huge share of national economic activity going to providing (and avoiding providing!) health care would plummet dramatically and in short order to the level it is at in less benighted nations. This would result in an enormous savings for almost all Americans, who would no longer have to pay insurance premiums, copays and deductibles. Equally important, with the major threat of loss of health coverage during a strike, workers would be more willing to join unions and unions would gain power because their members would be more willing to go out on strike. Meanwhile the national economy would boom as newly competitive US manufacturing and service industries would see their exports surge into international markets.

For all this to happen, though, we need the corporate media, which have been ignoring this story, to honestly explain it, instead of, as they are now doing, focussing on the pointless question of whether Trump's tariff threats are real or just a "negotiating tactic."

Honestly it doesn't matter what the reason is for their silence, but for the media to do their job, they must inform the public about what is going on here, and so far the Fourth Estate is dropping the ball. Possibly this is because editors and reporters at what these days are mostly struggling and hollowed-out news organizations, their experienced staffs long since having accepted buyouts and departed, don't even understand it. Also the corporate owners of the media conglomerates that own the remaining news outlets like the Washington Post that is owned by pirate capitalist Jeff Bezos, or the Los Angeles Times, owned by health industry entrepreneur Patrick Soon-Shiong, are happy to be able to keep their own employees in line by holding their health care over them should they think of striking for better pay or demanding to be able to write and publish the truth.

When I was writing my articles about this issue a decade ago, I interviewed the CEOs and CFOs of a number of major US subsidiaries in Canada, including GM,, Costco and Ford . All told me that they and the US Chamber of Commerce branch in Canada were supporters of

Canada's universal Medicare system and in fact were at the time lobbying the government to *broaden* its coverage to include dental and long-term care. The CFO of Ford Canada actually told me about how much he "loved the Canadian health system," debunking the claims that it was slow to deliver care — a trope of US free-market health care propagandists. He related to me how when his son had suffered a broken leg during a school sporting event, he was rushed off to a Canadian hospital and fixed up beautifully with no waiting and no bill. I asked him why, if Canadian executives of US subsidiaries were in favor of Canada's publicly funded health care system, their bosses in Detroit were opposing solutions like single-payer government health care or Medicare for All. He, like other such executives in US subsidiaries in Canada, laughed and replied, "It's ideological. They can't bring themselves to advocate for a socialist idea."

Trump's tariffs, whether targeting Canada, Mexico, the European Union or China, are going to have a huge upward impact on inflation in the US which will particularly hurt people on fixed-income and low-income people, including many of the MAGA types who narrowly voted him into the White House.

It's important for those impacted people to understand how and why this is all his and his billionaire backers' fault, and that in fact, it's also their fault that working class people are in danger of losing their access to Medicaid and ACA subsidized insurance. Fixing that by expanding Medicare to cover every American would simultaneously obviate the need for tariff protections for American industry.

Although to be fair, it is also the Democratic Party leadership's fault, since they and the neoliberal Democrats in Congress as well as Presidents Obama and Biden had multiple chances when they had control of both House and Senate to adopt the Medicare for All bill pushed by Vermont Senator Bernie Sanders, but the majority of that party too prefer the huge campaign contributions the party and its candidates receive from the health care industry, which loathes the idea of socialized medicine.

MARCH 10, 2025

*Here's a suggestion: If you have an Uncle Bob or Aunt Julie who is a Trumper or, or a friend at work who sports a red MAGA baseball cap, send them a link to this article and then talk to them about it. Tell friends who don't like Trump about it too, and send them to this site, or write a letter to your local paper and make the case. We need publicly funded health care, not tariffs.*

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