Saab deal with Chinese automaker paves way for job cuts, outsourcing

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The announcement that Swedish automaker Saab has reached a partnership with Chinese firm Hawtai Auto group should offer no comfort to the workforce. The deal provides no long-term security for Saab workers, and opens the door to a vast cost-cutting drive through the outsourcing of jobs to cheap labour locations in China.

Saab's owner Spyker announced May 2 that an agreement had been reached with the Beijing-based Hawtai Group. A day later, Spyker CEO Victor Muller revealed that the deal would involve the Chinese company investing €150 million in Saab in return for a shareholding in the firm and access to technology.

The right-wing Alliance government in Stockholm welcomed the announcement that the Chinese firm was investing in Saab. Enterprise Minister Maud Olofsson, who has consistently refused to provide direct state aid to Saab, celebrated the deal and commented, "I've said the whole time that for it to work in the long term there had to be private interests ready to invest the money".

Production is expected to resume within weeks at Saab's Trollhättan facilities thanks to a further agreement made with the European Investment bank allowing the company to access €30 million, part of the €400 million loan that the EIB extended last year. Another agreement will see Saab access around €29 million from Gemini capital, an investment firm with ties to Muller.

The ongoing delay in the resumption of production is due to the requirement that the various deals be approved by a number of bodies, including the EIB and the government in Beijing.

Even given such sums of money, Muller and Spyker were compelled to acknowledge that the solution was at best a short-term one. In a statement confirming the partnership, Spyker declared, "Saab is now well financed, it has secured its short and mid-term financing".

The reality is that each week brings news of the mounting debts owed by the automaker, together with ongoing poor sales records. At the same time as Spyker announced first quarter losses of more than €70 million for the year, the company acknowledged that its target of selling 80,000 cars in 2011 would have to be abandoned. Muller set an annual sales target of 100,000 cars one year ago as the minimum number that would allow Saab to turn a profit.

If Saab continues to lose money at its current rate, it will be months rather than years before the funds run dry. In less than a year, already more than €200 million of an EIB loan have been expended, and the company has debts of close to €50 million, including a large debt to the Swedish state.

An additional concern is that the security of the investment from China is far from clear. Only two days after the partnership was revealed, the leading daily *Svenska Dagbladet* published a leaked internal report from the Swedish embassy in Beijing calling into question Hawtai's credibility. The document claimed that Hawtai's production figures were inflated by a third; that the company had changed its chief executive six times in the past eight years; and that, although the firm has existed for 10 years, it has only produced cars for one. The report stated that Hawtai's profits were drawn in the main from its interests in mining, banking and real estate.

Sweden's ambassador to China Lars Freden noted, "Technology transfer is central to Hawtai's interest in Saab". This indicates the deal is a raiding operation to enable auto production in China.

Saab spokesmen sought to deny any misgivings about the deal, with Eric Geers commenting, "It is important for us to say that we believe, and Hawtai believes that it was a bit unfortunate that the interpretation in certain media [of the embassy's report] was not exactly right".

"This is an absolutely fantastic partnership", he added.

The terms of the partnership in fact allow the sharing of production as well as technology, and a Saab spokesman confirmed that Hawtai could begin manufacturing Saabs at plants in China as early as 2013. This compelled Muller to make a strong statement, claiming that Saab jobs in Europe would not be in danger. "Production in China is for China", he said, "and production in Trollhättan (in western Sweden) is for the rest of the world. There is no cannibalism here in any way, shape or form".

In tandem with the deal with Hawtai, Spyker is still pursuing talks to allow Russian tycoon Vladimir Antonov to invest €50 million in Saab in exchange for complete control of the company's facilities in Trollhättan. Antonov, a business partner of Muller who has been involved with Spyker, was excluded from the initial purchase of Saab last year. This deal would see Antonov and Muller determine where the Saab brand is to be manufactured, with nothing preventing the export of technology and equipment to cheap labour factories in China or Russia, where workers face severe levels of exploitation.

Reports have indicated that under the new ownership structure, the three largest owners would be Antonov and the Hawtai group, both with around 29 percent, and Muller.

Muller and Antonov would control a majority of shares in the company, allowing them to decide its future.

Saab workers will find no support for the defence of their livelihoods from the trade unions, which have gone out of their way to welcome the deal with Hawtai. Local IF Metall union chief Hakan Skött enthused, "We have both the news that came yesterday about a short-term solution that will allow us to start production again, and now this for the longer term, and it is obviously extremely good news for us".

The unions have acted as cheerleaders for each new financier seeking to invest in the company.