

Eastern European auto industry in crisis

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The crisis of the European auto industry has hit Eastern Europe with full force. Low wages in the states that went through capitalist restoration over two decades ago are no longer low enough, and auto companies are increasingly moving production to North Africa.

Dacia, the Romanian subsidiary of French automaker Renault, established a production facility in Tangiers, Morocco, where 400,000 vehicles are to be produced. Although Dacia is currently the most profitable part of Renault, and the move was not accompanied by job losses in Romania, it is a first step in the reduction of production capacity in Pitesti in the south of the country.

The shift to North Africa has been well planned. Renault concluded a joint venture agreement at the end of January to build a factory near the west Algerian town of Oran, where 75,000 vehicles will be produced annually for the European market starting in 2014. The agreement to build the factory was finalised in December during a presidential visit by France's Francois Hollande to his Algerian counterpart Abdelaziz Bouteflika.

At GM-Opel's factory in Gliwice, Poland, there are also fears of production cuts and layoffs. While the company's production facility in the German city of Bochum is currently being shut down, concerns are growing about job cuts in Gliwice, where 2,500 workers build the Astra and Cabriolet Cascada models. The factory's manager, Andrzej Korpak, told the media at the end of last year that the focus in the coming period was to do everything to maintain the number of workers and prevent mass layoffs. He stated bluntly that the possible contraction of production figures would have to be "shouldered" by the workforce.

In 2009, just one year after the outbreak of the global economic crisis, layoffs began at locations across Eastern Europe. Manufacturers such as Renault-Dacia,

Ford and KIA compensated for lower sales with shorter work hours, wage cuts and layoffs. This signified a change for a region which, due to its low wage levels and close proximity to the Western European market, was systematically expanded as a centre for the European auto industry after the restoration of capitalism.

Along with Poland and Romania, the Czech Republic and Slovakia were also particularly affected. Every fourth auto produced in the EU is now manufactured in these countries. In both countries of the former Czechoslovakia alone, 2 million vehicles were produced in 2012. In the Czech Republic and Slovakia, VW, Kia, Hyundai, Toyota and PSA/Peugeot Citroen have factories that make substantial profits, with wages between 20 and 60 percent lower than those in Western Europe.

German automaker BMW is also planning to open a factory in Slovakia. KIA and PSA/Peugeot Citroen already employ around 3,000 workers each, and VW's factory in Bratislava employs 7,000. Up to 70,000 workers, including suppliers, are employed in the auto industry.

Slovakia, and to a lesser extent the Czech Republic, is heavily dependent on the auto industry. The self-declared "Detroit of the east" has advertised for years the benefits of its low wages, its proximity to Germany and Austria, and its low taxes. Currently, the auto industry accounts for 25 percent of Slovakian exports, a third of the country's industrial production and a quarter of its GDP.

In the 1990s, the EU targeted the domestic industries for closure. Almost all of the important firms were taken over by companies from Western Europe. The basis for this was prepared by the privatisation and closure of numerous formerly publicly owned firms. European firms were then able to use the region as an "extended workshop", where they could outsource

labour intensive industries due to the low wages.

This took place with the collaboration of the political leaders in Eastern Europe, many of whom had emerged out of the Stalinist bureaucracy. The Skoda factory, formerly a centrepiece of Czech industry, was handed over to VW by the then head of government, Vaclav Klaus. A few years after the takeover, the VW factory increased its profits by 90 percent, while the workforce saw no significant rise in pay and had to work under much worse conditions.

However, the boom-times are now over. Kia announced that in 2013 it would produce only 290,000 vehicles, a 2,000-vehicle decline compared to 2012. In order to eliminate overcapacity, the Renault/PSA factory in Trnava, Slovakia introduced reduced working hours for 30 days in 2012. At the time, Slovakian President Robert Fico demanded during a state visit to Paris that Trnava should remain protected from mass layoffs.

VW Slovakia responded to the first decline in sales provoked by the economic crisis in 2008 with cuts to working hours and the laying off of temporary workers. In January 2009 the works council agreed a model for flexible working, under which workers have virtually no opportunity to decide when to take their holidays.

The developments in the “Detroit of the east” are also laid bare by the production figures. In 2010, the total number employed in the auto industry stood at 70,000 workers, who built roughly 500,000 vehicles. In 2012, a similar number of employees were producing almost 900,000 vehicles. The intensification of exploitation is directly connected with a rise in unemployment, which in Slovakia currently stands at 14 percent.



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