

# General Electric buys up Alstom

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The US General Electric (GE) corporation has acquired the energy sector of the French Alstom concern for €12.4 billion. General Electric intends to operate some of the new business branches together with Alstom as joint ventures. For the time being, only the railway business will continue to be conducted exclusively by Alstom.

At the end of June, this arrangement was approved by Alstom's supervisory board, and the French government accepted the terms offered by GE CEO Jeffrey R. Immelt, following long and turbulent negotiations. The French state itself has acquired 20 percent of Alstom.

The acquisition of business divisions involving energy generation and power transmission is of strategic importance to the global energy sector, which is dominated by a few large corporations. By buying into Alstom, GE has scored an advance on its German rival, Siemens, and upset the balance in the global competition for energy sectors.

Alstom also maintains close economic ties with Russia, which is facing increasing economic sanctions due to pressure from the United States. The acquisition of Alstom by the US concern is likely to accelerate this trend.

The costs of this will be borne by the workers in many countries (France, USA, Germany, Switzerland, etc.). The deal is accompanied by attacks on jobs, wages and working conditions.

General Electric is regarded as the fourth largest company in the world and is crucially important for the United States. Lenin referred to the General Electric Company, founded in 1892, as an example of "a new kind of business trust, spanning the whole world". Today, GE has 305,000 employees worldwide and posted sales of almost \$150 billion in 2013. Its finance department, GE Capital, is sometimes referred to as the fifth-ranking bank in the United States.

GE is of such importance to the US that the US central bank, the Federal Reserve, rushed to its aid after the financial crisis of 2008, buying up GE shares to the value of \$16 billion. GE CEO Immelt, himself a member of the Federal Reserve board of directors, was appointed by Obama to chair the national Council on Jobs and Competitiveness. Immelt's own undertakings have made him notorious for rigorously instigating staff reductions and cutting wages.

The acquisition of Alstom's energy operations has enabled GE to gain control of the French concern's largest business sector. While GE has fully integrated the lucrative gas turbine production, the fields of network technology, renewable energy sources (hydro power stations and offshore wind power facilities) and nuclear energy are to be operated as joint ventures, and only the rail

transport business remains—provisionally—wholly in the hands of Alstom.

The French company employs approximately 86,000 employees in a hundred countries and had a turnover of €20.3 billion in 2013. However, due to the economic crisis and the subsequent decline in European electricity consumption, Alstom is struggling with declining budgets.

General Electric's acquisition is controversial because Alstom has been increasingly active in Russia in recent years—particularly in the construction of railroads and commuter trains, as well as in the nuclear energy field. Alstom produces locomotives for Russia and operates a number of joint ventures with Russian companies. In Russia, Alstom builds nuclear power plants together with Rosatom, hydro power plants together with RusHydro and trams for Moscow together with Transmashholding (TMH).

General Electric's motives are probably not only economic. It can be no coincidence that GE is doing everything possible to appropriate Alstom precisely at a time when the crisis in Ukraine is sharpening and the US is increasingly mounting aggression against Russia.

Regarding the sanctions against Russia, US politicians and NATO have long been demanding that France cancel its sale of two Mistral helicopter carriers to Russia. Alstom is involved in the construction of the controversial Mistral craft. They are being built at a shipyard in the harbour town of Saint-Nazaire in southern France, where Alstom directly and through several contractors holds a large share in the operation.

The US government had expressly requested that France not deliver to Russia the two contracted and partially purchased helicopter carriers. On June 16, just days before completion of the takeover deal between GE and Alstom, US Assistant Secretary of State Victoria Nuland expressed "deep regrets" that France was insisting on the delivery of the two vessels to Russia.

In the battle for European markets and spheres of influence, it also is significant that General Electric has outbid Siemens. General Electric and Siemens are direct rivals. Both corporations are of great importance to their respective countries. Both are market leaders in the energy sector, the construction of steam turbines for nuclear power plants, and also in the field of military strategy—for example, the construction of nuclear-powered submarines.

Both Siemens and GE have a significantly larger market share of the global gas turbine market than Alstom. With almost 40 percent of the world market, GE is the largest producer of gas turbines, closely followed by Siemens with about 30 percent. Alstom has barely a 4 percent share in this market. In steam turbines, which

are used in nuclear power stations and coal-fired power plants, Alstom has a 4 percent share, about the same as its competitors Siemens (4 percent) and GE (3 percent).

The French government vehemently resisted the GE takeover. The transfer of such a flagship of national industry into US hands met with outrage. In earlier times, the French economy was autonomous in virtually all strategic areas. Now, for the first time in the history of France, more than half of the 40 leading publicly listed stock companies (CAC 40) are under foreign ownership.

The newspapers are full of critical articles striking a nationalist tone. On July 12, *MondeAfrigue* published an article deeply regretting the sale of Alstom's energy sector to GE, because it "challenges the autonomy of our military standing and energy policy". The editor argued that "Alstom really could have remained French", but "the red carpet" was rolled out for General Electric. The negotiations revealed "the willingness to compromise and sheer blindness of certain French figures, when it comes to the realities of competition on the world market".

Such criticism is directed against the government of François Hollande, a member of the Socialist Party (PS). His economics minister, Arnaud Montebourg, defended himself by arguing that France had to form alliances in order to brace itself against the forces of globalisation. He said he had long insisted on closely examining the Siemens bid, in order to gain time and find a way to keep the energy sector at least in European hands.

Hollande ordered both Immelt and Siemens CEO Joe Kaeser to attend audiences at the Elysée Palace, but Alstom CEO Patrick Kron eventually succeeded in effecting the sale to GE.

The French government introduced a law guaranteeing the state a veto right with respect to attempted corporate takeovers that had a bearing on national interests. When the decision favouring GE was made, it was simultaneously stipulated that the French state had to be involved to the extent of securing a 20 percent share of Alstom's stock.

In late 2003, the government had already rescued Alstom from bankruptcy at the cost of €800 million to the state coffers, and it made €2.25 billion available to the concern once again in 2004. At the time, however, the European Union (EU) competition authority pressed hard for Alstom to be transferred into private hands and denied it any further government assistance.

The French construction and media group, Bouygues, then acquired 21 percent of the shares from the French state in 2006. Nicolas Sarkozy, a close friend of Martin Bouygues, was minister of economic affairs and on the verge of becoming president of France. By 2013, further blocks of shares had accumulated, and Bouygues is today the largest shareholder of Alstom, holding a stake of 29.4 percent.

Now the French government wants to buy back a 20 percent equity stake from Bouygues, but lacks the necessary resources to do so. Bouygues has already ceded to the French state the right to vote for Alstom shares, but the sale of the shares is still pending and will only be completed by 2015 at the earliest.

German newspapers like the business daily *Handelsblatt* immediately stressed that the deal between GE and Alstom was a case for the EU cartel authorities, which ought to impose further restrictions. Siemens CEO Kaeser told the *Bild* tabloid that if the

European competition authorities demanded concessions from GE and Alstom, Siemens would still be willing to buy part of the company.

As for the unions, they have placed themselves firmly on the side of the national interests of their respective governments. Just like the German government, the IG Metall and German Confederation of Trade Unions (DGB) have explicitly supported "their" energy giant, Siemens, in the struggle for Alstom. The General Confederation of Labour (CGT) in France is also acting as guardian of national interests. "We're witnessing how our industrial capacity is being destroyed," CGT representative Bernard Devert complained.

Alstom's European works council has so far avoided official commentary on the acquisition, as has the European Metalworkers Federation (EMF). Workers have had to glean from the press the small amount of information that has been made public.

In Switzerland, where Alstom is the largest employer in the canton of Aargau, the corporation did not even have to inform the staff council (a body representing the employees) about the negotiations, since Switzerland is not an EU member and therefore not subject to EU regulations. Alstom's Swiss site is not represented at all in the European network of works councils.

Gas turbines are still being developed in Baden in northern Switzerland, the global headquarters of Alstom Power. General Electric's acquisition of this industrial sector threatens the continued existence of more than 4,000 of the 6,500 Swiss jobs there.

In Germany, Alstom employs approximately 9,000 employees in locations such as Mannheim, Salzgitter and Berlin. Mannheim, where gas and steam turbines are built, is particularly threatened by the GE takeover.

A few years ago, Alstom acquired the train manufacturer, FIAT Ferroviaria, in Italy. Alstom also maintains numerous sites in Poland and Spain.

As for GE in the US, the concern is infamous for its brutal job cutbacks and attacks on workers' rights. After the economic crisis of 2008, some 31 companies were closed and about 19,000 jobs destroyed. In recent months jobs have been eliminated in numerous plants, including 950 jobs in Erie (Pennsylvania), 400 at two plants in New York, 100 in Greenville (South Carolina) and 160 in Bloomington (Indiana).

The fight for jobs can only be successful if it is conducted on an international scale and waged as a movement that is independent of the trade unions. Moreover, the working class must take up the struggle against the threat of global war, which is becoming increasingly acute as the imperialist powers scramble to usurp control of global markets.



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