Siemens and Alstom rail train units merge as corporations prepare for trade war

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On September 26, the supervisory boards of the German company Siemens and the French Alstom Group unanimously approved a deal to merge the rail train units of both companies by the end of 2018 in a "merger of equals." With 62,000 employees and an annual turnover of around 15 billion euros, the new corporation will be the world's second-largest railway technology company.

Recent years have witnessed fierce competition on the world market for rail vehicles. In mid-2015, two Chinese manufacturers combined to form the China Railway Rolling Stock Group (CRRC). With over 180,000 employees and branches and production facilities in more than one hundred countries CRRC took over first place from Bombardier Transportation, the former world market leader. With a turnover of $34.5 billion CRRC also significantly exceeded the joint sales of the two Europe-based manufacturers, Siemens and Alstom.

Since then, Siemens, Alstom and Bombardier have worked to create a counterpart to the Chinese company. A series of mergers, rationalization, savings through increased production and a conversion from design and production to platform construction, in which the same components are used in different models, similar to the automotive industry, were all intended to increase competitiveness.

In mid-2014, Siemens offered Alstom its French subsidiary, Siemens Mobility. In return, the German company planned to take over Power and Grid, the most profitable sector of Alstom's energy interests. The deal collapsed after the US company, General Electric, won the bid for the energy sector.

Siemens then began negotiations with Bombardier Transportation, a subsidiary of Bombardier Inc., the Canadian aircraft manufacturer. Bombardier Aerospace had suffered losses, and its management decided to implement a comprehensive restructuring program. As a result a total of 8,500 jobs are to be slashed, 5,000 in the transport sector. German plants saw 1,430 job cuts in 2016 and a further 2,200 jobs are due to go in 2018, mainly at the German Hennigsdorf and Görlitz plants.

In May 2017 it was reported that the joint venture agreements between Siemens and Bombardier were close to completion. However, Siemens, whose mobility department is an industry leader in signal technology and network infrastructure, generating higher profit margins than the production of rail vehicles, was able to pick and choose its merger partner.

Further financial problems at Bombardier were on the cards after the American aircraft manufacturer, Boeing, accused its Canadian competitor of unfair government support in the production of its C-series of aircraft. The company's problems then increased dramatically when the Trump government raised an import tax of 219 percent on Canadian aircraft in September. The Siemens executive decided to quickly reorient to a deal with Alstom.

When the heads of Siemens and Alstom addressed the press on September 20 to announce the merger, they made clear that what was at stake were not just economic priorities but also political motives. Siemens CEO Joe Kaeser told the press: "We are putting the European ideal into practice and together with our friends at Alstom, creating a new long-term European champion of the railway industry."

The merger is part of German and French plans to boost Europe to the status of a world power able to confront the US and China both economically and politically. Siemens CEO Kaeser had already consulted Chancellor Angela Merkel before the Bundestag election in September. Merkel then consulted with French President Emmanuel Macron, according to a number of daily newspapers.

On the day of the announcement of the Siemens-Alstom fusion, Macron had called for a "determined and concrete Franco-German initiative" to develop new European projects. The EU must be built up as a "competitor to China and the US." The French state holds one-fifth of the Alstom shares and the merger was only possible with Macron's approval.

Alstom's CEO, Poupart-Lafarge, declared the merger to be a "key moment" in the company's history. It will "create added value for customers, employees and shareholders."

The sort of value generated was immediately reflected in the share prices of both companies: the price of Siemens shares rose by two percent and that of Alstom by 18 percent within the space of a few days. The merger is intended to provide savings of around €470 million annually through a so-called "synergy effect" in the fields of research, development, sales and product reduction over a four-year transition period. Until then, both

companies have guaranteed to maintain jobs levels and existing plants.

The location of Siemens Alstom's headquarters will be in Paris, as will the company center for rail vehicles, while the headquarters for mobility solutions and signal technology will remain in Berlin. Chief executive will be the current Alstom CEO Poupart-Lafarge, while Siemens CEO Joe Kaeser will chair the eleven-member Supervisory Board, where a total of six Siemens representatives hold the majority.

Siemens will receive 50 percent plus one of the shares listed on the Paris stock exchange, with the option to buy another two percent after the merger. The real power of the merged company therefore resides at Siemens, despite all the talk of equal partners.

The merger is supported by both the French and German governments, thereby overriding antitrust law. Trust law expert Martin Gramsch told the *WirtschaftsWoche* that the decision of Europe's cartel monitors would be based on geographic considerations. When customers around the world seek out the products of manufacturers worldwide, then there could not be substantial objections to the Siemens Alstom merger.

The merger of whole industries into two or three world-dominating monopolies has accelerated enormously since the financial crisis in 2008. The sum of all mergers and acquisitions (M&A) reached its second highest peak in 2016 with 3.6 trillion US dollars. In 2015 this figure was 17 percent higher.

Historically low interest rates and huge amounts of money pumped into the economy are a major factor in promoting mergers. "Many companies are faced with poor organic growth prospects, which force them to consider the purchase of competitors or expand into new territories," the *Financial Times* noted late last year.

Increasingly, however, mergers are also linked to the development of commercial and economic blocs. They are no longer continental, such as the takeover of Chrysler by Fiat, but serve to create "national champions," which, with the backing of respective national governments, can compete fiercely for a share of the world market—a process which has historically taken violent, military forms. Donald Trump's "America First" policy is the most naked expression of this development.

Such conditions have long prevailed in the market for passenger aircraft, where Europe's Airbus and America's Boeing are fighting for supremacy. The development in the rail industry is now assuming a similar form, but this time the main rival of the "European champion" Siemens Alstom is not the US, but rather China. The purchase of the US-German car maker Opel by Peugeot and the merger of the steel sector giants ThyssenKrupp and Tata should also be regarded in this light.

This policy of trade war has the fervent support of the trade unions, which share the nationalist outlook of the company bosses and shareholders.

The French trade unions and the German union, IG Metall, have welcomed the fusion of Siemens and Alstom. "If you want sufficient impact, a new ordering of forces is imperative," declared the CFE-CGC union coordinator for Alstom, Claude Mandart.

According to Elisabeth Mongs, a leader of IG Metall in Erlangen, the fusion of the two train companies makes sense, creating a strong European alliance able to confront competition from China.

Heinz Spörk, Chairman of the Siemens Works Council in Krefeld, told the *Westdeutsche Zeitung*: "Alstom and us are currently generating 7.3 percent [sales revenue]. This can definitely be improved upon in the new company with far lower overhead costs."

"This merger was desired and promoted by the federal government," Spörk continued. "That is why I am confident that the antitrust authorities in Europe will give a green light. We need a strong European rail industry in order to challenge the world market leader China. The railway division of Siemens would have been too small in the long run."

In common with the managers the union functionaries see their role as maintaining the "impact" and "competitiveness" of their company at the expense of the workforce by ensuring that "synergy effects"—i.e., job destruction and pay cuts—are made without resistance.

This is true not only of Siemens and Alstom's employees, but even more so for Bombardier Transportation, the loser in this merger. Fresh job cuts are on the board or even the closure of entire plants. "The merger of Siemens and Alstom will increase pressure on Bombardier. I regard this with concern," Olivier Höbel, head of the IG Metall district of Berlin-Brandenburg-Saxony, told the paper *Welt am Sonntag*.

Workers can only defend their jobs and oppose the development towards trade war and military warfare by breaking with the reactionary trade union apparatuses. The defence of jobs, working conditions and wages confront workers with political tasks—first and foremost the building of a socialist movement to unite the working class in the fight against war and capitalism. This is the prerequisite for harnessing the enormous potential of the globalized economy for the benefit of the world's population.