Fiat Chrysler-Renault merger talks collapse

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Talks over the proposed merger between Fiat-Chrysler (FCA) and Renault were called off last week after a final agreement on the fusion of the Italian-American and French automotive giants could not be reached. The merger, which appears to have been shelved at least for now, would have created the third-largest automaker in the world by car sales.

Reports by executives from both Renault and FCA state that the deal was blocked at the final hour late in the evening of June 5 by the French government of President Emmanuel Macron. The French state has a 15 percent shareholder stake in Renault as well as double-voting rights on the company's board, making it the most powerful shareholder.

French Finance Minister Bruno Le Maire requested a five-day delay of a vote, in order to allow time for Renault to seek the support of Nissan for the merger. Nissan is in an alliance partnership with Renault and Mitsubishi. Le Maire's request was reportedly a response to the announcement by Nissan representatives at the meeting that they would abstain in the vote on the merger. They declared that they needed more time to study the potential impact on Nissan operations and its alliance with Renault.

Shortly after Le Maire's announcement, FCA announced that it was withdrawing from the talks. Executive John Elkmann sent a note to shareholders on Thursday evening stating that "when it becomes clear that the discussions have been taken as far as they can reasonably go, it is necessary to be equally decisive in drawing matters to a close."

Executives from both companies criticized the Macron government for preventing the merger. On Wednesday, at Renault's annual meeting in Paris, CEO Jean-Dominique Senard stated that the "project remains, in my head, absolutely remarkable and exceptional." It was "the first time there was a chance to create a European champion at a time when people keep complaining that it doesn't exist."

Senard stated that the proposal for Renault to initiate discussion with FCA on a potential merger had been made by the Macron government eight months earlier.

On Wednesday, Le Maire insisted in an interview with France Info radio that the deal was not off the table and that the government remained open to a merger. "It remains an interesting opportunity. But I have always been very clear: that it should be in the context of a strategy to reinforce the alliance" between Renault and Nissan.

A range of geopolitical and corporate calculations appear to have been involved in the Macron government's decision. The merger of Renault and FCA would have led to the halving of the government's 15 percent stake and the loss of its double-voting rights. Under conditions of growing trade war between the United States and China and threats by the Trump administration to impose tariffs on European automakers, it is possible that the Macron government did not wish to see its stake in the company lessened.

The calculations of Renault and the French government in a merger with FCA were always closely bound up with strengthening the hand of the company in the alliance with Nissan. Under the complex "alliance" partnership between Nissan, Mitsubishi and Renault, the French automaker owns over 43 percent of Nissan's shares. However, its ability to directly control Nissan's decision-making is restricted by a 2015 agreement that limits its voting on the Nissan board.

Nissan, the significantly larger of the two companies by market capitalization, owns only 15 percent of shares in Renault. Any merger with FCA would evidently further reduce Nissan's control over Renault. A statement released last week by Nissan noted that a merger with FCA "would significantly alter the structure of our alliance with Renault. This would necessitate a complete review of the relations between Nissan and Renault." Nissan has reportedly requested that Renault and FCA agree to reduce their share in Nissan in exchange for the Japanese automaker's support for a merger.

An article published last week by *Le Monde* stated that

Renault's decision to seek a merger with FCA was aimed at "shift[ing] the balance of power with Nissan to allow the French to regain control of the destiny of the alliance signed in 1999."

The conflict between the two companies has become increasingly sharp over the past year and reached a high point with the decision by Japanese authorities to arrest Charles Ghosn, the chairman and CEO of Renault, on corruption charges last November. Ghosn was replaced by Senard in January.

This week, Renault revealed that it will not provide the necessary votes for Nissan to carry out a planned restructuring of its leadership positions, stating that this would weaken Renault's position.

It is possible that the merger talks will be resumed and an agreement reached. This would result in massive layoffs and plant closures for workers at both companies in order to eliminate excess capacity and boost profits and further increase the stock portfolios and dividend payouts for shareholders. The proposed merger was estimated to save $5.6 billion of "estimated annual run synergies," according to a press release published by FCA.

At the same time, whatever the precise form that this takes, the driving force behind the proposed merger between the automotive giants remains the global restructuring that is now underway in the automotive industry and that confronts autoworkers internationally with a deepening assault on their jobs, wages and conditions.

A decade after the 2009 bankruptcy deal of General Motors and Chrysler orchestrated by the Obama administration—which fueled record profits, based on stepped-up concessions and the slashing of wages for new-hire US autoworkers—a new stage in this onslaught is underway. Since December last year, layoffs totaling 15,000 have been announced by General Motors in North America, 5,000 by Jaguar worldwide, and more than 7,000 at Volkswagen in Germany. As far as the financial investment funds that control the automotive giants are concerned, this is only an initial downpayment.

The increasingly bitter conflict among the global auto giants is being driven by a slowdown in sales, particularly in China, exacerbated by the Trump administration's trade war measures. This is added to the turn toward electrical vehicles, which requires major investment in research and development of new technologies, an area that FCA was seeking to obtain via its merger with the technologically more advanced Renault and Nissan alliance.

The closest allies of the corporations and governments in imposing these layoffs are the trade unions. In France, the CGT and CFDT union federations responded to the proposed merger with FCA with a combination of corporatism and nationalism aimed at preventing any unified resistance by Italian, American and French autoworkers to the offensive being prepared.

The CFDT published a statement on May 27 that could have equally well been signed by the CEO of Renault. It stated that the union "estimates that this [merger] is an opportunity for the company and the Alliance," hailing the "synergies of our two groups"—the same phrased used by FCA executives to refer to the billions of dollars to be slashed from operational expenses.

The CGT criticized the proposed merger from the nationalist and pro-company standpoint that this "merger will exclusively benefit FCA. In addition to realizing a strong financial operation, it will benefit from the technologies that Renault has developed, in electric technology …" Its statement sought to promote illusions that the Macron government, currently deploying police to shoot down "yellow vest" protesters opposing austerity and inequality with rubber bullets and tear gas, would act as an ally of French workers.

The greatest fear of these corrupt bureaucracies is that autoworkers will break out of their control and respond to the global assault underway with their own internationally organized struggle. This requires the formation of new organizations of struggle, independent rank-and-file committees of workers, to establish direct communications with autoworkers internationally.