

# GM BRINGS FLINT, MI TO CHINA

In one of my favorite posts on the risks of a GM collapse, I described the risk of GM's Chinese partner buying up GM's American brands.

I was talking with mr. emptywheel about what one of the bad-but by no means worst-case scenarios in a GM bankruptcy would be. This scenario is just one of several that might happen-by no means guaranteed, and Congress would fight the scenario at every stage, though with increasingly less leverage. But it is a scenario that follows a great deal of logic about possible outcomes. It is this scenario, though, that explains why both Toyota (I've seen reported-looking for the link) and many in Congress want to bailout GM before it gets to bankruptcy.

Here's the short version: more details below.

- 1. GM files for Chapter 7 bankruptcy*
- 2. GM's Chinese partner, SAIC, buys much of GM (Buick, Chevy, Cadillac)*
- 3. GM/SAIC starts importing Chinese-made Buicks and Chevys, undercutting Toyota's cost advantages*
- 4. GM/SAIC owns the Volt technology, requiring US firms to lease it if they wanted to use it*

Which is why my stomach turned at the news that GM is about to cede majority control over its Chinese operations to SAIC.

G.M. has become the second-largest automaker in China mainly through a 50-50 venture with S.A.I.C. that makes a wide range of G.M.-designed cars. Under the deal being completed, G.M. would sell a 1 percent stake in the venture to S.A.I.C., raising the Chinese automaker's share to 51 percent, although G.M. would retain equal voting rights in company decisions and have an option to buy back the stake later, people with knowledge of the transaction said.

Michael Dunne, an auto consultant specializing in Asian markets, said that for G.M. to accept a minority holding in its main joint venture marked an inevitable decline in G.M.'s influence in China, which has overtaken the United States as the world's largest auto market.

"Dropping below the 50-50 partnership is huge – there may be a way to preserve voting rights, but symbolically, it is a step down," Mr. Dunne said.

G.M. is separately putting its Indian operations into a new joint venture with S.A.I.C., effectively selling about half of the operations to S.A.I.C. as well.

China will continue to use this moment of weakness (for the country as a whole, not just for GM) to take over our equities in international trade. And few people seem to be watching.