

# PLAYING CHESS WITH THE CHINESE

Last week, I suggested that Shanghai Automotive Industry Corporation might be the most likely GM buyer, if it came to that.

So if GM goes bankrupt in January, as may happen, it may well have to sell itself off (unless the government guarantees the same kind of financing that it is refusing now). And I believe one company is one of the most likely—and indeed sensible—buyers: Shanghai Automotive Industry Corporation, or SAIC, the Chinese company with which GM partners to do business in that country.

Apparently, the Chinese thought so too.

Chinese carmakers SAIC and Dongfeng have plans to acquire GM and Chrysler, China's 21st Century Business Herald reports today. [A National Enquirer the paper is not. It is one of China's leading business newspapers, with a daily readership over three million.] The paper cites a senior official of China's Ministry of Industry and Information Technology— the state regulator of China's auto industry— who dropped the hint that “the auto manufacturing giants in China, such as Shanghai Automotive Industry Corporation (SAIC) and Dongfeng Motor Corporation, have the capability and intention to buy some assets of the two crisis-plagued American automakers.” These hints are very often followed with quick action in the Middle Kingdom. The hints were dropped just a few days after the same Chinese government gave its auto makers the go-ahead to invest abroad. And why would they do that?

A take-over of a large overseas auto maker would fit perfectly into China's plans. As reported before, China has realized that its export chances are slim without unfettered access to foreign technology. The brand cachet of Chinese cars abroad is, shall we say, challenged. The Chinese could easily export Made-in-China VWs, Toyotas, Buicks. If their joint venture partner would let them. The solution: Buy the joint venture partner. Especially, when he's in deep trouble.

How's that bridge loan looking now, Richard Shelby? You want your Japanese manufacturers to be competing against cars assembled in China?