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China exit would wreak havoc on GM sales figures

By Jamie L. LaReau (excerpt)
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If President Donald Trump were able to actually order American business out of China, General Motors would be the hardest hit of the Detroit Three carmakers.

Though most of its profits come from North America, the company makes 43% of its annual global vehicle sales in China. ...

... In the series of tweets Friday, Trump said China has "stolen" vast amounts of money from the United States for decades and it must stop.

"Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing your companies HOME and making your products in the USA. I will be responding to China's Tariffs this afternoon." ...

... GM issued a statement in response to Trump's tweet: "We support a positive trade relationship between the U.S. and China, and urge both countries to engage and pursue sustainable trade policies. We continue to believe both countries value a vibrant auto industry and understand the interdependence between the world's two largest automotive markets." ...

... Indeed, GM said its business in China repatriates money to the United States by paying the company a dividend of about \$2 billion each year. Also, many of the vehicles sold there are designed and engineered in North America, which boosts employment, a GM spokesman said.

David Kudla, CEO of Mainstay Capital Management, which manages \$2.5 billion, said if the threat is taken seriously and became reality, "What would it do to a company like General Motors? It would wreak havoc."

GM has been putting together a "globalization strategy" for decades and China is a big part of that plan, said Kudla. Plus, GM has sold more cars in China than it has in the United States since 2012, he said. Last year, GM sold 3.6 million vehicles in China compared with about 2.9 million in the United States and 3.5 million in North America.

"It is the largest market for GM," said Kudla. "GM plans to introduce more than 20 new or refreshed models in China in 2020 alone. So to pull out of China is unthinkable."

But if GM operated only in North America, it could still prosper because it makes a bigger profit on each vehicle sold here than it does in China, Kudla said,

"Most of their profits still come from North America," said Kudla. "But they are in a growth phase in China and want to penetrate that market. They've had a very good strategy. I'd hate to see it compromised." ...

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