

## GM DROPS OPEL DEAL

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General Motors' walking away from the planned sale of Opel to the Sberbank-Magna joint venture caught Russia by surprise. After months of complex negotiations between US, Germany, Russia and Canada, GM decided to keep its European branch citing improving Opel sales in Europe.

The German government indicated it would be seeking repayment of a 1.5 billion euro loan made to the company in support of Opel sale to the Russian-Canadian joint venture. Later, GM's U-turn was rumored to pertain to politics, but the American car manufacturer denies this. The head of the GM office for Europe left his post in a protest against the corporation's decision. Prime minister Putin said that this decision would not damage the Russian automotive industry.

On the one hand, GM's quitting the deal means that Russia's automotive industry will not receive access to the Opel technology. However, Russia has a lot of technology 'donors' including IzhAuto, Autoframos, Toyota, Nissan, GM, VW that assemble motor cars; facilities that operate under licenses (TagAZ and SOLLERS), and Renault. Foreign carmakers are ready to build plants in Russia, while AutoVAZ and Renault are creating a joint venture to manufacture auto parts. Production standards, higher competition among foreign car brands of Russian manufacture and plans to make auto parts domestically all create favorable conditions for acquiring foreign technology.

On the other hand, the drop of Opel sale might affect another domestic car manufacturer, GAZ. Decline in demand and popularity of the rivaling Fiat cars manufactured at SOLLERS plants have already impacted the moods of potential investors. Holding a stake in Opel, GAZ would have been able to make more competitive cars and attract investors. GAZ could have partnered with the German carmaker to manufacture popular Opel models in Nizhny Novgorod.

It is not the first reverse for GAZ. Earlier, the Russian carmaker failed to establish cooperation with Chrysler and GM. The Nizhny Novgorod region has lost in a competition for investments after Peugeot&Citroen gave up its plans to build a facility in Kaluga region.

In the light of these events, the prime minister's statement is not fully correct. Russia's automotive industry has plenty of possibilities to import foreign technology. AutoVAZ-Renault cooperation is key to reviving the industry. GAZ, the country's second largest



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carmaker, does not have a strategic partner and a strategy of development based on foreign technology.