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General Motors Counting on Russia's Growth to Reach China's Volumes

By The Moscow Times

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General Motors is expanding its range of products as Russia picks up the slack from slowing car sales in China. **Sheng Li**

BEIJING — China is no longer the eye-popping growth story for General Motors, but robust sales in Russia and other emerging markets quickly filled the gap during the first half of this year, a senior company executive told Reuters.

"While China is still strong, it is no longer the gravity-defying growth we have seen in prior years," Tim Lee, head of GM International Operations, said in an interview last week.

Middle-class Russian consumers have come to GM's rescue, cushioning the impact of the slowdown in China that has led to a sharp rise in inventory and the resulting slide in profitability for many automakers, along with the difficulty GM is facing in jump-starting operations in India and Southeast Asia.

GM's corporate reputation was "pretty low" in Russia, "but today we're back and really leaning into the market," Lee said. Of course, China has been a great performer for GM over the past decade and is still offering notable growth. "But I would put Russia in the same breath as China."

In the first half of 2012, GM sold a total of about 136,400 vehicles in Russia, up 21 percent from the same period a year ago. While that volume is still a fraction of the 1.4 million vehicles GM sold in China during the same six months, the sales growth rate for GM Russia was two times faster than China, where first-half sales increased 11 percent from last year's period. Just two years ago, GM's China sales were growing at an annual pace of almost 50 percent.

Those results, along with what Lee described as the company's strong presence in the Middle East region, South Korea and Australia, drove overall sales for GM International Operations to about 2 million vehicles in the first half, against 1.8 million sold in the same 2011 period and accounting approximately for 40 percent of GM's overall new vehicle sales, according to the company.

GM International Operations is a GM unit based in Shanghai, and it oversees a host of emerging markets in Asia, Africa, the Middle East and Russia, though the division's responsibility includes Australia, New Zealand, and Chevrolet Europe. The company's European unit, Opel, and operations in South America are not part of GM International Operations.

GM's sales results speak to "a very well-balanced strategy" the company is executing in emerging markets around the world, said Yale Zhang, head of Shanghai-based consulting company Automotive Foresight.

GM's reputation in Russia took a beating in 2009 when it backed out of a tentative deal to sell its Opel unit to a consortium headed by Canada-listed Magna International and Sberbank of Russia, GM's Lee said.

But GM is overcoming that challenge by beefing up a portfolio of products for the market. "Month by month by month we're gaining momentum in Russia because of the cadence of launches," Lee said.

From Chevy mini cars such as the Aveo and the Sonic to small SUVs like the Niva, GM is in the midst of a product push and those new models are helping GM gain a better reputation and push up sales, he said.

Particularly successful has been the Chevy Niva, Lee said. Sales of the Niva in the first half grew 30 percent from a year earlier, to about 29,800 cars.

GM, meanwhile, sold a total of about 64,600 vehicles in the Middle East and about 71,800 vehicles in South Korea, taking roughly a 10 percent share in each of those markets.

In Thailand, sales for GM more than doubled to about 32,300 vehicles, although its Thai presence remains limited. GM also uses plants it runs in South Korea and Thailand to export vehicles, such as the Chevy Colorado pickup truck, to other markets.

In Southeast Asia, one particularly big problem was Indonesia — a market that is poised

to become the region's biggest soon, surpassing Thailand.

In the first half, GM sold a total of 2,600 vehicles in Indonesia but expects to sharply increase its sales after it restarts an assembly plant near Jakarta early next year that it closed down in the mid-2000s.

The plant is expected to give GM capacity to produce as many as 50,000 cars a year by the end of next year, although some will be exported.

"The constancy of purpose is fundamental to be a winner in any market," Lee said.

"Frankly, we as a company have not had that constancy of purpose in (Indonesia and also Thailand) over the past 30 or 40 years, whereas our Japanese competitors have had that kind of resource allocation, and consequently they dominate" in Southeast Asia.

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