GM Expands Technology Investments In China

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SHANGHAI (AP) — General Motors Co. says it is seeking to buy back a 1 percent stake sold to its main Chinese joint venture partner, as it expands its technology investments in a market where it is maneuvering to keep its edge.

The Detroit company opened an advanced technology center in Shanghai on Wednesday meant to help it design lighter, safer and more efficient cars for China, a market that has proved crucial to its survival.

The center opened a day after GM announced plans to develop a brand new electric vehicle "architecture" with flagship venture partner, Shanghai Automotive Industrial Corp.

While the China market has cooled considerably in recent months, following the expiration of tax incentives and subsidies meant to spur sales during the financial crisis, it remains the world's largest and fastest growing major market for sales of new vehicles.

GM expects total vehicle sales in China to grow by about 5 percent to 19 million units or just a bit higher, said GM China President Kevin Wale. Sales of passenger vehicles, excluding large buses, should grow by double-digits, he said, after jumping by a third last year to 13.7 million vehicles.

GM's own sales in China have risen 5.4 percent so far this year to 1.6 million units as of the end of August.

Wale confirmed GM is seeking to buy back a 1 percent stake in its originally 50-50 joint venture, Shanghai GM, that it sold to SAIC in 2009 for $84.5 million as it faced bankruptcy. That would end SAIC's majority control and allow GM to reclaim its equal share.

"We have a contractual right to buy that back. We are having discussions but we have nothing further we can add at this point," he said.

GM is adamant about its commitment to developing electric vehicles specifically for the China market. The next generation battery-driven vehicle to be developed with SAIC will be designed and made in China, the company says.

That would qualify the car for government subsidies, amounting to about $19,000 per car, that the imported Chevrolet Volt will not be eligible for after its planned launch in China in December. China also imposes hefty tariffs on imported vehicles.

Under the agreement with SAIC, the two companies will equally share the cost of developing a new all-electric vehicle, reducing GM's cost and risk.

The Detroit company denies that the agreement is linked to China's desire to acquire more advanced technology that its own automakers have yet to develop. The Volt can travel about 35 miles on battery power, and a gas-powered generator kicks in to run the car when the batteries are depleted. The generator technology eliminates anxiety over whether a driver will run out of electricity.

The Volt and the new car to be developed with SAIC are engineered for very different customers.

"This is more about making sure we have the right product for China," Wale said.

GM likewise recently agreed with Korean battery maker LG Group to design and engineer electric vehicles that may be marketed to other parts of the world, he noted.

AP Auto Writer Tom Krisher contributed to this report from Detroit.

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