The German charm offensive

GM's decision to keep Opel has left Germany fuming.

After General Motors' dramatic U-turn on November 3rd over the sale of its European subsidiary, Opel/Vauxhall, its chief executive, Fritz Henderson, came to Germany this week to begin repairing relations with Angela Merkel's government and with the country's angry unions. Both have little option other than to come to terms with GM's decision not to sell a majority stake in the unit to Magna International, an Austrian-Canadian car parts maker, and Russia's Sberbank. But they are still furious with the Americans. Jürgen Rüttgers, the prime minister of North-Rhine Westphalia, caught the popular mood by describing GM's change of heart as "the ugly face of turbo-capitalism."

The German government's frustration is understandable, but it has only itself to blame. With an election looming, it far too blatantly suggested that the €4.5 billion ($6.8 billion) worth of restructuring loans it was willing to make available was exclusively for Magna/Sberbank because it alone was promising not to close factories in Germany. That meant some 10,000 redundancies would fall disproportionately heavily elsewhere in Europe. When other governments complained about such an obvious breach of competition rules, the European Commission stepped in. The Germans were forced to write to GM on October 17th assuring it that the aid was available to any investor with a viable plan for restoring Opel to health.

GM had never wanted to sell Opel, which is the repository of much of its technology for small cars. After the emergence of the "New GM" from bankruptcy in July, confidence was growing and it had an assertive new board that saw a chance to regain control of a valuable strategic asset. As Mr Henderson emolliently put it, the decision not to sell was a vote for Opel, which took 7.8% of the European market last year, not a vote against Magna.

As part of his charm offensive in Germany this week Mr Henderson said that a €900m bridging loan from the German government that had kept Opel going during GM's crisis would be repaid before the end of the month. Opel, he added, had sufficient liquidity to continuing trading for the foreseeable future. According to Mr Henderson, GM's restructuring plan would be similar to the one agreed with Magna—it did not want to go back to the drawing board—and that under it Opel would become a more independent and entrepreneurial company.

Mr Henderson had another sweetener: rather than the €4.5 billion wanted by Magna and Sberbank, GM only needed €3 billion from governments to implement its plan. He was less specific about plant closures, only saying that the reduction in manufacturing footprint would have to go further than the plan drawn up with Magna. At least one factory in Germany seems certain to close (Bochum in North Rhine-Westphalia is thought to be vulnerable).

GM now hopes that it can get agreements on funding before the end of the year. It thinks governments in other countries where it has factories will be happier supporting a plan that is not being driven from Berlin and that contributions should be based on levels of employment in each country. That would leave Germany picking up no more than half the tab: good news, at least, for German taxpayers.

THE German charm offensive. **The Economist**, New York, Nov. 12th 2009. Disponível em: <www.economist.com>. Acesso em: 16 nov. 2009.