

GM shares fall on reports of antitrust penalty in China

14 December 2016, by Tom Krisher And Paul Wiseman

A Chinese state-run newspaper reported Wednesday that the government will penalize an unidentified U.S. automaker soon for alleged anti-competitive behavior. With signs pointing to General Motors, shares of the Detroit company fell 2 percent.

The China Daily quoted the government's top price regulator as saying an automaker would be fined for "impeding competition."

Some trade experts say China might single out GM, the U.S. automaker with the largest sales in China, as retaliation against U.S. President-elect Donald Trump, who has suggested he might formally recognize Taiwan as an independent nation and impose trade tariffs on Chinese goods. A government official warned Wednesday that recognition of Taiwan could undermine relations between Beijing and Washington.

The threatened fine comes as authorities have stepped up antitrust oversight and expanded the industries they scrutinize in order to promote fair market competition, said Zhang Handong, director of the National Development and Reform Commission's price supervision bureau, in an interview with the China Daily.

A GM joint venture was targeted in a 2014 investigation into overcharges for replacement parts. No penalty was announced but authorities gave no indication the probe had ended. GM said in a statement that it "fully respects local laws and regulations wherever we operate," and it wouldn't comment on "media speculation."

It's unlikely that Ford, the only other U.S.-based automaker with a large presence in China, would be targeted. The company said it wasn't aware of any inquiries in China.

Shares of GM fell 2 percent to \$36.61 in afternoon trading Wednesday after a post-election run drove

them to a new 52-week high of \$37.66 last Friday.

Amanda DeBusk, chair of the international trade department at the law firm of Hughes Hubbard & Reed LLP in Washington said the timing of the anti-monopoly penalty makes it likely that the Chinese are punching back against Trump. "They had a list of things they could pull the trigger on. They decided to pull the trigger," she said.

While such a penalty could be a warning to Trump, it also is consistent with China's stance on other automakers and may have roots in a slowing economy, said Linda Lim, a professor at the University of Michigan Ross School of Business.

The government may be using the fines to further force down auto prices to stimulate the economy, even though car prices already are falling, she said. But the issue of recognizing Taiwan is a "red line" for the Chinese, and Trump's recent phone call with Taiwan's president could also be a motivator, she said. "They've picked on U.S. companies previously," she said. "The timing could just be serendipitous."

Chinese regulators launched a sweeping probe of the auto industry in 2014 following complaints global automakers were abusing control of supplies to overcharge for [replacement parts](#).

Volkswagen's Audi was fined \$40.5 million and Fiat Chrysler received a smaller penalty on charges they suppressed competition. An official cited by state media said Mercedes also violated the law but no penalty was announced.

Toyota's Lexus unit also said it was being scrutinized.

Regulators have punished a series of global companies in industries from milk to medical devices under China's 2008 anti-monopoly law.

Foreign business groups welcomed passage of the law, which they said would help to clarify operating conditions in China's state-dominated economy. But since then, they have complained regulators use it to protect Chinese companies from competition.

In the biggest penalty so far, Qualcomm was fined \$975 million in February 2015 on charges it abused control over patents that are part of industry standards for mobile phones to charge excessive license fees to Chinese handset makers.

Last week, medical device maker Medtronic was fined \$17 million on charges it suppressed competition by enforcing minimum prices distributors were required to charge.

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