

Chery: Vying for a Piece of the American Pie (B)

The alliance between Chrysler and Chery ended before it ever got started. In the midst of the 2008 financial crisis, the companies announced that they were terminating their joint project to make small cars for sale around the world. For Chrysler it meant losing one of its most promising routes to building a competitive small-car lineup for consumers who were pinched at the pump by rising gas prices. For Chery, it meant losing Chrysler's technical ability, quality, and regulatory ratings consistent with U.S. and Western European markets.¹

"The economic situation and market environments around the world have changed significantly since the agreement was signed," Mike Manley, Chrysler executive vice president of international sales and marketing, said in a statement. "Moreover, both companies have since gone through major internal changes and evolution, resulting in different business directions and priorities versus a year ago. As a result, many of the original premises the two companies had when entering into the agreement no longer apply."² Chery company leaders indicated that they were looking for a new partner. "Our door is always open for other opportunities to cooperate with foreign companies," Chery spokesman Jin Yibo said.³

As the alliance ended, Chrysler also cited issues with American consumers' perceptions of Chery quality. North American consumers had known Chery's cars for their poor quality for some time. Phil Murtaugh, Chrysler's Asia chief, had indicated earlier in the year that "neither Chrysler nor Chery is comfortable that those products as they exist today meet the requirements of Chrysler."⁴

The project's biggest stumbling block was bringing Chery's Chinese-designed-and-built cars in line with tough North American emissions and safety standards.⁵ "We need small cars," Chrysler CEO Tom LaSorda said. "Chery's cars are still not ready for that exposure into these markets." According to LaSorda, it would likely be at least three years until Chery's cars were ready for the U.S. Chery had planned to sell the cars first in Mexico, a country with less stringent regulations. That was to happen in 2010, but that plan was also scrapped.⁶ In the meantime, Chery was planning on delivering cars to the South American market in 2010 under a partnership with Nissan Motor Co.⁷

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