

MarketWatch First Take

Ford exits Russia with joint-venture sale, but Moral Rating Agency slams 'escape clause'

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By James Rogers (Follow) 0

The automaker is retaining the option to repurchase its joint-venture stake within a five-year period



On Oct. 26, Ford announced it was exiting its operations in Russia with the sale of its stake in a joint venture. (Photo by Justin Sullivan/Getty Images)



Referenced Symbols

F 0.43% ▲ MBG 0.27% ▲ GE 1.67% ▲ PEP 0.87% ▲ BA 3.63% ▲ SPX 0.52% ▲

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Ford Motor Co. is exiting its operations in Russia — which it had previously suspended — with the sale of its minority stake in a joint venture to manufacture commercial vans.

In a [statement](#) released on Wednesday, Ford **F, 0.55%** confirmed the sale of its 49% share in the Sollers Ford joint venture. Ford said the sale follows the full suspension in March of this year of all its operations in Russia, including manufacturing, supply of parts, IT and engineering support. "Ford shares will be transferred to the Joint Venture for a nominal value," the company said. Ford is retaining the option to repurchase the shares within a five-year period should the global situation change, it added.

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A spokesman for Ford told MarketWatch on Wednesday that the company had completely suspended the operations of Sollers Ford in March, soon after the invasion of Ukraine. "Even the possibility of re-entering the market would be dependent on an end to the conflict, a de-escalation of sanctions, and an acceptable change in broader global circumstances," the spokesman added.

In a [statement](#) released on March 1, Ford said it had already significantly wound down its Russian operations in recent years.

In 2019, the joint venture closed two production plants and an engine plant in Russia, leaving only a single production plant in the Moscow area. Earlier this year, a Ford spokesman told MarketWatch that, with the suspension of operations, that plant was idle.

The [Moral Rating Agency](#), an organization set up after the invasion of Ukraine to examine whether companies were carrying out their promises of [exiting Russia](#), had already highlighted Ford's Russian joint venture.

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"We have been calling for Ford to get out of Russia for months and its response has always been that suspending operations was enough," Moral Rating Agency founder Mark Dixon told MarketWatch on Wednesday. "This sale announcement only highlights that it failed to do so for nearly eight months since the invasion of Ukraine. Ford gets no credit from us for its late departure from Russia because dragging heels only makes it more acceptable for others to do the same."

Dixon also criticized what he described as the "escape clause" in the sale agreement that would allow Ford to take back the shareholding. "This means it can make a U-turn at its whim. Moreover, the possible return hardly sends a strong signal to the regime," he told MarketWatch.

"It's important that companies make a true exit without wiggle room so Putin feels the full brunt of an exit, economically and psychologically," Dixon added.

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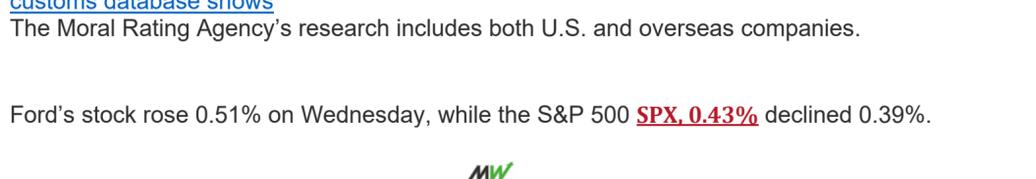
Other carmakers are also exiting Russia. On Wednesday, Mercedes-Benz Group AG **MBG, 0.29%** [CFO Harald Wilhelm said the company is in the process of selling](#) its Russian activities to a local investor.

The Moral Rating Agency has also [warned](#) that the Russian assets of major U.S. corporations could be seized by the Kremlin amid the ongoing fallout from Russia's invasion of Ukraine. Among the companies it researched, the Moral Rating Agency has identified General Electric Co. **GE, 1.56%**, PepsiCo Inc. **PEP, 0.73%** and Boeing Co. **BA, 3.77%** as at risk of asset expropriation.

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The Moral Rating Agency's research includes both U.S. and overseas companies.

Ford's stock rose 0.51% on Wednesday, while the S&P 500 **SPX, 0.43%** declined 0.39%.



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