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Committee on Trade-Related Investment Measures

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RUSSIAN FEDERATION – SUPPORT MEASURES FOR THE AUTOMOTIVE SECTOR

REPLIES TO QUESTIONS[1] FROM JAPAN

The following communication, dated, is being circulated at the request of the Delegation of the Russian Federation.

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Question 1

At the TRIMs Committee's meeting on 6 October 2014, as a reply to the United States' questions submitted on 13 June 2014, the Russian Federation stated that "industrial assembly mode" under Resolutions No. 29-32 means that "the producer has a valid agreement on industrial assembly". Japan understood that "a valid agreement on industrial assembly" referred in the statement is the industrial assembly agreement with Ministry of Economic Development (MED) under the Auto Investment Programs provided under Joint Orders No.73/81/58n of 15 April 2005 and No.678/1289/184n of 24 December 2010. Is Japan's understanding correct?

If they are not the same agreements, please provide the following information with regard to the industrial assembly agreements required for the subsidies under Resolutions No. 29-32: (i) relevant legal provisions; (ii) conditions to conclude the agreements; and (iii) terms to be provided for the agreements.

Question 2

Are the industrial assembly agreements referred in the above-mentioned Russian Federation's statement limited to the agreements listed in Tables 42, 43 and 44 of the Working Party Report on the accession of the Russian Federation? If there are any additional signed agreements under the Auto Investment Programs that are not included in the Tables 42-44, please indicate them and explain the reasons.

Reply

The understanding of Japan is not correct.

The term "industrial assembly" does not have any general definition which could be applicable for interpretation of different legal acts where this term is used. For example, under the Joint Order of the Ministry of Economic Development, Ministry of Industry and Ministry of Finance No. 73/81/58n of 15 April 2005 the "industrial assembly" of motor vehicles was defined as a system of serial production with a capacity of no less than 25 000 units per year in two-shift work schedule including such technological processes as welding, painting and assembly of the car body; mounting of the passenger compartment equipment, mounting of major car components (engine, chassis) etc. The term "industrial assembly", following its definition, implies only that certain basic manufacturing operations should be performed, but it does not require the use of goods produced domestically.

[1] G/TRIMS/W/153.

Under the Resolutions of the Government of the Russian Federation No. 29-32 of 15 January 2014 it is not required from the applicant to present an investment agreement on "industrial assembly". However, presentation of such valid agreement was by itself enough to proof that the applicant's production was under "industrial assembly" mode.

Question 3

Are there any auto manufacturers who have signed agreements with the Ministry of Industry and Trade (MIT) to receive the subsidies under Resolutions No. 29-32, but have not signed industrial assembly agreements with the MED under the Auto Investment Programs?

Reply

As described in the reply to questions No. 1-2, according to the Resolutions of the Government of the Russian Federation No. 29-32 the applicant is not required to present "industrial assembly" agreements.

Question 4

Does the Russian Federation publicly disclose the names of auto manufacturers who have signed agreements with MIT to receive subsidies under Resolutions No. 29-32? If so, where can the information be found?

Reply

Up to the present date, the Russian Federation has not publicly disclosed the names of auto manufacturers who signed agreements with the Ministry of Industry and Trade of the Russian Federation to receive subsidies under Resolutions No. 29, 30, 31 and 32 of 15 January 2014.

Question 5

Could the Russian Federation explain whether auto manufacturers need to submit the industrial assembly agreements under the Auto Investment Programs at any stage of the procedure to obtain the subsidies under Resolutions No. 29-32 (for example, on application for signing the agreement with the Ministry of Industry and Trade)?

Reply

Please refer to reply to questions No. 1-2

Question 6

Can auto manufacturers receive subsidies under Resolutions 29-32 without meeting the local content requirements set out in the Auto Investment Programs? If so, please indicate which auto manufacturers have received subsidies under Resolutions No. 29-32 without being subject to the local content requirements set out in Auto Investment Programs.

Reply

Russian car manufacturers can receive subsidies under the Resolutions No. 29-32 without meeting any local content requirements because the Resolutions No. 29-32 do not impose any local content requirements.

Question 7

Could the Russian Federation explain the rationale for requiring the production through "industrial assembly mode" as a condition to provide the subsidies under Resolutions No.29-32?

Reply

The term "industrial assembly", following its definition, implies only that the manufacturer must perform certain basic manufacturing operations which are inherent for the process of car production, but it does not require any use of goods produced domestically. This term was referred to in the Resolutions No. 29-32 for the purposes of scoping the support to the Russian big car manufacturers. The Resolutions merely indicate that the production itself should be "in the industrial assembly mode". Therefore the provisions of the Resolutions neither by themselves nor by reference to the production "in the industrial assembly mode" impose local content requirements in exchange for receipt of support.

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