WORLD TRADE ORGANIZATION

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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] POSED BY EUROPEAN UNION

The following communication, dated 30 November 2015, is being circulated at the request of the Delegation of the Russian Federation.

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In EU's understanding, the Russian government has recently provided for additional support to the automotive industry, including as part of an "anti-crisis plan". We refer for example to point 43 of Decree N°98 of 27 January 2015 and to Russia's Prime Minister statements available at http://government.ru/news/17331. It is our understanding that the Russian government issued Decree No 244 of 18 March 2015, providing for subsidies to "compensate the costs related to the production of wheeled vehicles" and also re-activated the "cash for clunkers" program, that we understand to be based on Decree 1194 of 31 December 2009. In our understanding, this support comes on top of the subsidies based on resolutions No 29, 30, 31 and 32 of 15 January 2014, that have already been addressed to some extent in the TRIMS Committee. Moreover, there have been recent reports that the Ministry of Industry and Trade will launch a program of preferential car loans, for the purchasing of domestically produced cars.

Question 1

Could the Russian Federation confirm/correct this understanding? In particular, could the Russian Federation provide a list of support measures for the automotive industry (that apply in addition resolutions No 29, 30, 31 and 32 of 15 January 2014), and indicate the relevant legal acts? Could the Russian Federation explain the relationship between those different measures?

Question 2

Could the Russian Federation explain the eligibility conditions under those support measures, and indicate the relevant legal provisions?

Question 3

In EU's understanding, the various support measures are conditional on the production in "industrial assembly mode", pursuant to an "industrial assembly agreement" (see for instance point 4(c) of Decree 244 of 18 March 2015 and the "Criteria for selection of models and manufacturers in Russia" under Decree 1194 of 31 December 2009). Could the Russian Federation confirm/correct this understanding?

[1] G/TRIMS/W/152.

Reply

The EU's understanding is not correct.

The Resolution of the Government of the Russian Federation of 18 March 2015 No. 244 provides for support to Russian car manufacturers by partial compensation of the costs related to the production of wheeled vehicles. This measure is not related to the so-called "cash-for-clunkers" support program under the Resolution of the Government of the Russian Federation of 31 December 2009 No. 1194. In fact the latter was terminated several years ago and since then there have been no funds allocated under the Resolutions No. 1194.

In accordance with the Resolution of the Government of the Russian Federation of 18 March 2015 No. 244 the eligibility criteria for recipients are as follows:

- no tax debts;
- the recipient is assigned with a World Manufacturer Identifier (WMI) code and marks Vehicle Identification Numbers on car chassis;
- production under industrial assembly mode in accordance with valid investment agreement;
- investment plan.

Question 4

Could the Russian Federation explain the meaning of "industrial assembly" and "industrial assembly agreement", as referred to in various support measures, and indicate the relevant legal provisions?

Reply

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. 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. This term was referred to in the Resolution of the Government of 18 March 2015 No. 244 for the purposes of scoping the support to the Russian big car manufacturers. The Resolution No. 244 merely indicates that the production itself should be "in the industrial assembly mode". Therefore the provisions of the Resolution No. 244 neither by themselves nor by reference to the production "in the industrial assembly mode" impose local content requirements in exchange for receipt of the support.

Question 5

Could the Russian Federation explain in particular the conditions for the conclusion of "industrial assembly agreements", and the general contents of such agreements, and indicate the relevant legal basis?

Reply

Please refer to the Working Party Report on the Accession of the Russian Federation to the WTO.

Question 6

Could the Russian Federation explain the rationale for the requirement for the manufacturer to have an "industrial assembly agreement", in order to benefit from various support measures?

Reply

It is unclear from the question what is meant under "various support measures" which are assumed to require the manufacturer to have an "industrial assembly agreement". As for the Resolution of the Government of the Russian Federation No. 244 of 18 March 2015, the industrial assembly agreement was required because under this Resolution a manufacturer received partial compensation of costs for the procured car components (both of domestic and foreign origin), and the investment agreement ensured that the car components were used only for manufacturing and therefore could not be subject for re-sale.

Question 7

Does the Russian Federation plan or is carrying out preparations for further measures relative to the domestic automotive industry, including other localisation programmes, of the like of Decrees No. 166 (of April 2005) and No 566 (of September 2006)?

Reply

There are no plans to introduce localization programmes of the like of Resolutions of the Government of the Russian Federation of 29 March 2005 No. 166 and of 16 September 2006 No. 566.

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