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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

QUESTIONS POSED BY THE EUROPEAN UNION TO THE RUSSIAN FEDERATION REGARDING THE SUPPORT MEASURES TO THE AUTOMOTIVE SECTOR

The following communication, dated 21 October 2016, is being circulated at the request of the Delegation of the European Union.

Subsidies to the car sector under the "Industrial assembly mode"

Decrees No. 29-32 of 15 January 2014

In its replies to Japan's questions (G/SCM/Q2/RUS/9), the Russian Federation states that the provisions of the Decrees No. 29-32 of 15 January 2014 "do not contain any "local content" requirements". Moreover, the Russian Federation declare themselves[1] that the term "industrial assembly" was referred to in the Resolutions No. 29-32 for the purposes of *scoping the support to the Russian big car manufacturers*.

1. Could the Russian Federation present in details the eligibility criteria to receive the subsidies? Could the Russian Federation clarify why the measure is only targeted to the Russian big car manufacturers?

2. Could the Russian Federation explain how this scheme can be considered compatible under WTO rules and, in particular, with the provisions of the ASCM?

3. Could the Russian Federation inform Members whether, at present, the list of beneficiaries has been published?

Resolution of Government of the Russian Federation of 18 March 2015 No. 244

4. Could the Russian Federation list, in detail, <u>all</u> the eligible criteria for benefitting of the subsidies under the Resolution of Government of the Russian Federation of 18 March 2015 No. 244?

5. According to the available information, the EU is aware that, among other criteria, the beneficiary shall be assigned with a World Manufacturer Identifier (WMI) code and marks Vehicle Identification Numbers on car chassis. Could the Russian Federation confirm this? Should it be the case, could also the Russian Federation explain whether recipients of all WMI codes can benefit or if only certain WMI recipients (e.g. from certain geographical areas or certain countries or regions) can be eligible?

6. According to the available information, the EU is aware that, among other critera, the production shall take place under industrial assembly mode in accordance with valid investment agreement. Could the Russian Federation explain what such a "valid investment agreement" is and on what legal basis such agreements can be concluded?

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[1] G/TRIMS/Q/RUS/2.

7. What are the assembly agreements mentioned in point 4c of Decree 244/2015? Could the Russian Federation present a list of the agreements signed and which are valid in 2014 and 2015? Could the Russian Federation indicate how many such "valid investment agreements" are currently in force?

The Russian Federation states[2] that the term "industrial assembly" of motor vehicles was defined as a system of batch production on the basis of technological processes, achieving a production capacity of no less than 25,000 units per year in double-shift operation.

8. What is the rationale of referring to an "industrial assembly mode" in the measures listed below and its further connection with "industrial assembly agreements" (Decree 1433 of 19/12/2014 amended by Decree 244 of 18/03/2015) as a criterion for receiving subsidies?

    a. the subsidy scheme introduced on 15 January 2014 (Resolutions 29, 30, 31 and 32);

    b. the cost-compensating subsidy scheme introduced end 2015 (Decree 1433 of 19 December 2014, amended by Decree 244 of 18 March 2015 and subsequently by Decree 351 of 25 April 2016);

    c. the subsidised car loan and car leasing introduced in April 2015 (Decree 344 of 23 April 2016 amending Decree 364 of 16 April 2015).

Preferential automobile leasing and loans

1. The EU understands that the legal basis for granting preferential automobile leasing and preferential loans is the Resolution of 451 of 8 May 2015 and the Decree No. 344 of 23 April 2016, amending Decree 364 of 16 April 2015. Could the Russian Federation confirm and/or indicate what the relevant legal acts are?

2. What are the eligible criteria for receiving preferential automobile leasing and loans as provided by Resolution of 451 of 8 May 2015 and/or any other legal basis currently in force? In particular, could the Russian Federation clarify whether the automobile production plants shall be located in Russia?

3. Could the Russian Federation present the list of the beneficiaries under this scheme?

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[2] P.1075, WT/ACC/RUS/70.