

Putin Seeks to Localize Car Parts

By [The Moscow Times](#)

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ST. PETERSBURG — Prime Minister Vladimir Putin told foreign carmakers Tuesday that the government would respect existing tax breaks as it considers new proposals to increase the amount of local parts they must buy.

"All future decisions about local production will be balanced and will consider both the interests of the government and investors," Putin told a meeting of foreign car executives outside St. Petersburg.

The proposals would extend current agreements signed with foreign automakers between 2005 and 2008 granting preferential duties on imported components for eight years in return for sourcing 30 percent of parts locally, the Industry and Trade Ministry said. Once those arrangements expire, the carmakers would need to commit to buying 60 percent of components in Russia within six years to get more tax breaks.

Foreign carmakers including Volkswagen, Ford Motor and Toyota Motor are increasing output in Russia and rolling out new models as the country's economy expands. The

government is seeking to develop the domestic manufacturing base by ensuring local production of car components.

"The intention is to promote localization, to bring more jobs, more experience of production and more technology," Putin's spokesman, Dmitry Peskov, said by phone.

Putin held the meeting after attending the opening of the first Russian car manufacturing plant of Hyundai Motor, South Korea's largest carmaker.

The new framework would extend the reduced import duties for another eight years in return for a series of obligations in addition to the 60 percent local-sourcing rule, Alyona Shipilina, an Industry and Trade Ministry official, said by phone. These include annual production of at least 300,000 cars within four years and investment of \$500 million in expanding existing facilities, or \$750 million in new assembly lines.

The agreement would be voluntary for carmakers, said Peskov, who added that the government was hopeful of securing their backing. "They all have plans to increase investment" in Russia, he said.

Shipilina said there was ongoing "discussion" with car manufacturers. Yulia Karulina, a Volkswagen spokeswoman in Russia, declined to comment.

Putin last month announced plans to raise taxes on imported cars to encourage international automakers to increase production in the country.

The government is also spending 21.5 billion rubles (\$700 million) this year on cash incentives for car purchases. Russia is following countries around the world that extended incentive programs to reverse slumps in car sales during the worst global recession since World War II.

Russian new car sales jumped 51 percent last month from the same period last year, spurred by the economic recovery and the government's cash-for-clunkers program, according to the Association of European Businesses.

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