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GAZ Teams Up With China's FAW on Trucks

By The Moscow Times

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GAZ workers assembling a Gazel. The firm wants to make trucks with FAW. **Sergei Nikolayev**

GAZ plans a joint venture with China's FAW Group to produce trucks in the Urals — continuing a trend of the Russian automotive sector looking abroad for the know-how and technology to revitalize itself.

"FAW will bring the newest generation of products to the JV and GAZ will bring people and our manufacturing," GAZ president and CEO Bo Andersson said by telephone from China, where the two companies signed a memorandum on the venture.

Russian automakers, hard hit by the country's worst recession in 15 years, are increasingly turning to foreign partners for the know-how to help them gain market share and produce vehicles capable of competing with Western brands.

FAW-branded trucks would be produced in a GAZ factory in the city of Miass in the

Chelyabinsk region and will feature GAZ's new medium-duty YaMZ-530 diesel engine, Andersson said.

However, there have so far been no decisions on how much money will need to be invested, what stakes the two companies will have in the joint venture, which trucks will be produced and in what quantity.

"We will together build the right product for Russia and the CIS. FAW is offering their whole heavy duty truck portfolio," Andersson said. "We need to have the right mix between localization and imports."

Foreign carmakers have sought to increase production in Russia — with South Korea's Hyundai opening a plant in St. Petersburg last week — to take advantage of tax breaks offered to locally produced vehicles. So far though, these tax advantages do not apply to trucks.

Boosting domestic industry is a key part of President Dmitry Medvedev's drive to modernize the economy and reduce its dependence on oil and other commodity exports.

GAZ, controlled by industrial tycoon Oleg Deripaska, was the only major Russian player without support from a major foreign manufacturer. Earlier this month though, Volkswagen said it plans a new assembly line at GAZ.

GAZ currently focuses on light budget commercial vehicles — such as minibuses and small vans — under the Gazel brand.

Andersson reiterated that, after a strong first half, GAZ was on track to beat its full-year revenue target of 85 billion rubles ($2.74 billion).

State-controlled FAW Group is China's fourth-largest automaker, producing the full range of vehicles from passenger cars and buses to commercial trucks.

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