

Fall of Tariffs Doesn't Disturb Plane Makers

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Russia's largest plane builder has dismissed concerns that domestic aviation could suffer from the loss of protective tariffs thanks to the country's entry into the World Trade Organization.

"We don't expect any negative fallout from accession, and will not change our strategy either in the domestic or global markets," Olga Kalyukova, a spokeswoman for United Aircraft Corporation told The Moscow Times on Monday.

Last week Sergei Katyrin, president of Russia's Chamber of Commerce and Industry, publicly identified the aviation industry, alongside carmakers and insurance companies, as sectors concerned about increasing competition following accession.

United Aircraft Corporation is a state-owned holding formed out of the Sukhoi, Irkut and Tupolev companies in 2006 in a bid to breathe new life into the country's aviation sector

after two troubled post-Cold War decades.

Its flagship projects include Sukhoi's SuperJet 100 regional jet, which has already gone into production and has won orders as far a field as Mexico and Indonesia, and Irkut's MS-21, which is being developed as Russia's first challenge to domination by Boeing and Airbus of the midrange jet market.

Kalyukova insisted that there was no reason to fear the elimination of import tariffs because both aircraft were meant to compete internationally anyway. But that bullishness may be backed by knowledge that the industry will continue to enjoy protection for some time.

Russia's focus during the negotiations was to win the lengthiest transition period possible to protect local producers, and the WTO accession "per se should not be seen as a catalyst to promote higher competition on the local markets," Alfa Bank said in a research note Monday.

The main beneficiaries would be Russian airlines and their passengers, said Boeing Russia president Sergei Kravchenko.

"Because Russia was not in the WTO, the enormous customs duties for new airplanes pushed Russian airlines to lease Western aircraft that were more than 10 years old," he said in an interview with The Moscow Times earlier this month, before accession was finally confirmed Friday. "That was happening in the 1990s — so lots of those planes are now 20 years old."

Boeing builds parts of its airplanes, including the 787 Dreamliner, in Russia, and was a vigorous lobbyist for Russian WTO accession in Washington. It had an advisory role on the SuperJet.

Import tariffs on foreign-built aircraft deemed competitors to Russian producers will indeed be slashed, from 15 percent to 20 percent down to a standard figure of "about 7 percent," said Kirill Tachennikov, an analyst at UBS.

But some models that were not deemed a threat, and hence had import tariffs set at zero, will also face the standard rate.

"That means that if Aeroflot or Transaero want to re-equip with models like the Airbus A-330, they are going to find it more expensive," Tachennikov said by telephone.

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