

# ***Russian Automotive Industry Policy and the Motor Vehicle Component Supply Chain: Current Situation and Issues***

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## **Summary**

Starting with Ford in 2002, major motor vehicle manufacturers including Toyota Motor Corporation, Nissan Motor, Mitsubishi Motors, Renault, and VW have expanded into Russia, establishing production bases there. However, at present, only a limited number of local small and medium-sized enterprises are capable of supplying high-quality components that meet the specifications of the Japanese companies that have established bases in the country. Most components are procured from Japan and other countries outside Russia. The Russian government is devoting considerable energies to the automotive industry, offering tax breaks and other preferential measures to foreign companies expanding into Russia, in order to attract more foreign companies. To qualify for these measures, companies are required to increase the proportion of items procured from Russian companies to a certain level by 2018.

Japanese automobile manufacturers are doing their utmost to increase the local procurement rate. However, industries that support secondary and tertiary component suppliers have not been cultivated in Russia. Consequently, automobile manufacturers are faced by the issue of how to increase the local procurement rate amid this environment. As such, this paper clarifies the current situation and issues concerning the Russian government's policy on the automotive industry in Russia, as well as the status of the motor vehicle component supply chain and challenges faced therein.

[Translated by ERINA]