

Ford Breaches Assembly Contracts

The Kaliningrad-based Avtotor and the Leningrad region-based Ford plants are not securing the required percentage of the locally-based assembly operations, head of the Federal Customs Service, A. Belyaninov, said in a statement.

The government has long been discontented with Avtotor's performance, but dissatisfaction with Ford's operation has been expressed for the first time. The American carmaker should not disregard the factor competition. In 2006-2007, the Ministry of Economic Development and Trade concluded 23 agreements expected to have brought a \$3.8-4 billion investment inflow into the Russian motorcar industry by 2010. Having dispelled their doubts, the world's largest automakers are looking to build large plants in Russia. They promise to bring the localization index to 50-70%. Moreover, many of them are mooting productions of technology-intensive vehicle parts, such as power units and gearboxes.

If Ford violates the provisions of the agreement with Russia's Ministry of Economic Development and Trade, the government might impose sanctions towards it. Under the growing competition in the Russian market, these punitive measures can cause unwanted irreversible consequences for the company.

By Kirill Lebedev