AUTOMOTIVE MARKET RESISTS GLOBALISATION

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ABSTRACT

The objective of the article is to explore the opportunities and threats to development of the car industry in the context of globalization. The authors analyzed the state policy, studied the experience of foreign countries in the field of automotive industry regulation, as well as the dynamics of changes in the industry within the WTO. Based on the analysis of the current situation, the prospects for automakers are defined, measures of public support and participation in development of the automotive industry, including creation of special economic zones, investment policy, and customs control are justified.

Keywords: *globalization, automotive construction, competition, government support, WTO, utilization programs, special economic zones.*

Background. *Motor industry remains one of the leading sectors of the Russian economy. Worldwide, this industry has established itself as a high-tech and knowledge-intensive industry, creating jobs not only in enterprises directly involved in manufacture of automobiles and their components, but also in industries related to production of metals, rubber, plastics, glass, and software, microelectronics, high-tech equipment. The industry creates up to 15 % of world GDP, uses about 15 % of the total world output of steel, and one workplace at a car factory can create up to 14 of its counterparts in related industries [1, p. 189].*

Countries such as Japan, Germany, USA, France, China are trying to provide financial support, encourage private investment in development and improvement of the automotive sector. In Russia, about 10 % of the working-age population is employed in the automotive industry [2, p. 43]. Moreover, at present, local automanufacturers comprise not only long-established Russian factories (such as AvtoVAZ, the GAZ Group), but also international assembly plants located in the country (more than 20 reputable brands: Skoda, Opel, Ford, Nissan, Toyota, Volkswagen, BMW and others), while in the world production and export, the Russian share is insignificant and makes up respectively 2,7 % and 0,29 % [3, p. 148].

Objective. *The objective of the authors is to consider different aspects of the modern automotive market in terms of globalism.*

Methods. *The authors use general scientific methods, comparative analysis, evaluation approach, scientific description.*

Results.

I.

The main competitive advantages of Russia in the automotive sector are considered to be an advantageous geographical position (proximity to European markets), a sufficiently qualified and at the same time cheap labor force, as well as availability of raw materials (metals, components for the chemical and glass industries), a developed network of related industries.

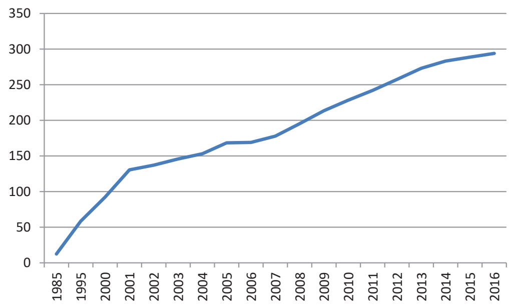
At the same time, the Russian Federation represents a huge unsaturated and growing consumer market in this segment. In the period from 2012 to 2016, the number of cars per 1000 inhabitants increased from 257 to 294 units (Pic. 1). In terms of this indicator, Russia lags far behind the leading European countries and the United States; in the same period in Europe, the figure rose from 483 to 615, and in the United States from 641 to 776. In addition, the average age of all passenger cars in Russia significantly exceeds that in Europe (12 and 7 years, respectively). At the same time, the average age of domestic cars is 16 years, and foreign – about 10 years, which allows to conclude about the need to update the car park. Worldwide, consumers use about 15 % of the budget for purchase of a personal car. In Russia, only a smaller proportion of the population can afford such a costly investment [4, 5].

The real renewal of vehicles takes place mainly at the expense of budget and better-quality cars compared to domestic ones, mostly assembled in Russia. International manufacturers installed in the country pursue a more flexible pricing policy and make fierce competition to their domestic counterparts. In recent years, there has been a positive trend in sales of cars from both domestic and foreign manufacturers in the Russian market. The top three in 2016 are represented by Lada (19,7 %), KIA (11,4 %) and Hyundai (11 %). This is due to improved purchasing power of population and measures of state support of demand, to stimulate which the state used the program of preferential loans, which allowed to increase car sales and even exceed the planned figures by 20 % [6].

Foreign companies continue to increase production capacity in Russia, organizing not only assembly production, but also increasing the capacity for production of automotive components.

The key problems of Russian automakers are:

- *low competitiveness of products (low quality at relatively high prices);*
- *lack of modern advanced technologies and the base for production of components (a significant lag from the world level);*
- *high moral and physical deterioration of equipment with little investment in research and development of equipment;*
- *lack of own financial resources for introduction of new technologies with a low level of investment attractiveness of Russian enterprises for foreign partners;*
- *lack of government incentives to stimulate research and development in the automotive industry with a high tax burden and inflexibility of the tariff and customs policy;*
- *low labor productivity and inadequate wages, a shortage of highly qualified personnel (including a shortage of educational institutions capable of carrying out their training);*
- *lack of demand for advanced experience of world automakers (the number of proposed model configurations is limited to no more than three to five from Russian manufacturers, compared to 5–10 configurations from a foreign manufacturer with the possibility of changes/options following the requirements of the consumer).*



Pic. 1. The number of own cars per 1000 people [15].

II.

All of the above does not allow to overcome technological backwardness and to reach the proper level of production. At the same time, the competition is made up of cars from South Korea and China, and second-hand foreign cars imported into Russia, which, with sufficiently high quality, are in the same price segment as their Russian counterparts.

At the same time, Russia's accession to WTO hardly contributed to development of the domestic automotive industry. The agreement resulted in a gradual reduction in import duties, a protectionist regime for assembly plants and a longer transition period.

If in 2009 duties on new foreign cars were 30 %, then after joining WTO in 2012 they were reduced to 25 % [13], and in the future they will be of 15 % [14]. High import duties on foreign cars stimulate organization of assembly plants, but if in Asian and Eastern European countries the threshold for their opening was a duty of at least 35 %, in Russia it turned out to be significantly lower. As for used cars with an age of 3 to 7 years, for them the duty should be at least 20 % [2, p. 45].

Note that the duties in our country perform only a fiscal function, not implementing the regulatory and protective functions, because a significant part of foreign cars cannot create stimulating competition to domestic counterparts due to its higher level of quality and higher class at a similar price level. Again, in Russia, the existing industrial assembly regime was extended with a quota set at preferential duties at the level of 5 % for components until 2020, and a number of them for a long time enjoyed the right of duty-free importation, although it is still profitable for many foreign automakers to import its components. At the same time, foreign producers must maintain a level of localization of production at a level not lower than 60 % (for example, in China and India, this figure was 75 %), and minimum production volumes were also set for them. At the end of the transition period in July 2018, all processes in this area must comply with WTO requirements, and import duties must be paid in full [2].

Five years ago, the Federal Law «On some measures of state support for certain categories of manufacturers of motor vehicles, their components and assemblies» was adopted to support foreign automakers and fulfillment of obligations to foreign investors [7, article 1]. However, the soon-to-come period of the sanctions imposed by the United States and the EU changed the situation with implementation of mutual agreements.

Nevertheless, one should not discount some of the formal advantages of Russia's membership in WTO, which have however become limited in their potential:

- collaboration with auto industry leaders and access to advanced manufacturing technologies;
- inflow of foreign investments and import of high-tech equipment;
- organization of production and components in the country with an increase in the number of jobs in the main and related industries;
- export opportunities for products manufactured by joint ventures;
- substitution of car imports for domestic products.

III.

In the future, even the closest one, there remains the opportunity to increase Russia's share in world production and to more thoroughly enter global markets.

At the same time, there are high risks of crowding out of the market products of the original Russian enterprises (such as AvtoVAZ) due to the higher volume of imported goods in conditions of a low level of duties and reduction of other customs barriers. To pay off risks, one should speed up the process of developing new products and improving their quality. A significant age of vehicles and a low degree of provision of the population with them cannot but contribute to development of the domestic auto industry. This can also be helped by reducing the key rate of the Central Bank, which increases availability of car loans [4].

It is important that the state continues to pursue a policy of supporting domestic producers. Since 2013, programs have been implemented that include subsidizing interest rates on car loans. In 2017, a set of existing measures was supplemented by stimulating the demand of certain groups of consumers: buyers of a first car, family cars. The cost of a car for which it is distributed has now grown to 1 million 450 thousand rubles, and not only the domestic AvtoVAZ can participate in the program, but also Renault, Nissan, Volkswagen, Skoda and other concerns, the discount on car loans is 10 %, the minimum percentage rate is 9,5 % [8]. In addition, since 2014, a program of recycling old cars has been in place, which makes it possible to increase the demand for domestic cars, update the Russian fleet and reduce the average age of cars in the Russian Federation [9].

Such steps would be advisable to be complemented with reduction of the tax burden on motor vehicle owners, developing and improving the quality of motor transport infrastructure, optimizing customs duties, in particular for updating the car fleet, and increase import duties on used foreign cars with age over seven years, commensurate to reduce consumption of the obsolete technology. The government of China went the same way, and in 2001 increased import duties to 200 % with their further gradual reduction to 25 %, which allowed protecting the domestic market from imports, raising domestic production and bringing it to the world market [10, p. 258]. It is also possible to use higher insurance premium rates for cars older than seven years.

However, without creation of a new production and modernization of the existing material base, a rise in the domestic automotive industry will not occur. We need innovative technologies, but in fact there is no time and financial resources to develop and implement them. And that means that the policy of catching up development is unacceptable, fundamental changes are necessary.

Conclusion. *The state is ready to provide significant support to the automotive industry, a strategy has been adopted for development of the automotive industry until 2020 [11, 12], which identified measures to stimulate consumption and production, exports and investment, strengthen infrastructure and staffing. This strategy includes one of the most promising areas of state policy – creation of special economic zones, where there are all conditions for development of automobile production, Kaliningrad region is a good example thereof [3, p. 148]. And it, the same strategy, we believe, contains the prerequisites to realize the proposed by us:*

• formation of large corporations and clusters in the field of automotive production in order to stimulate domestic production;

• granting loans to manufacturers and consumers for purchase of technologies, R&D and final products under guarantees and with the support of the state;

• stimulation of foreign investments and organization of joint ventures in the automotive industry;

• regulation of the activities of foreign automakers in Russia;

• creation of joint and domestic centers of basic and applied research in the field of innovative projects;

• optimization and increase of the effectiveness of the regulatory framework in the field of customs policy, certification, quality control related to the automotive industry;

• stimulation of the general level of economic development and growth of the income level of the population in order to create stable consumer demand.

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