

WHAT ARE RUSSIAN CARS MADE OF?

On 6 April 2018, the US Treasury Department's Office of Foreign Assets Control (OFAC) expanded the list of sanctions against Russia to include the Russian carmaker GAZ Group. Initially scheduled for 5 June, the implementation of sanctions was pushed back to 23 October and eventually, after negotiations, replaced by a general licence allowing GAZ Group to continue operations, provided that the company's owner Oleg Deripaska (the sanctions against whom were the reason the company was subject to proceedings in the first place) leaves the management and separates his business interests from GAZ Group.

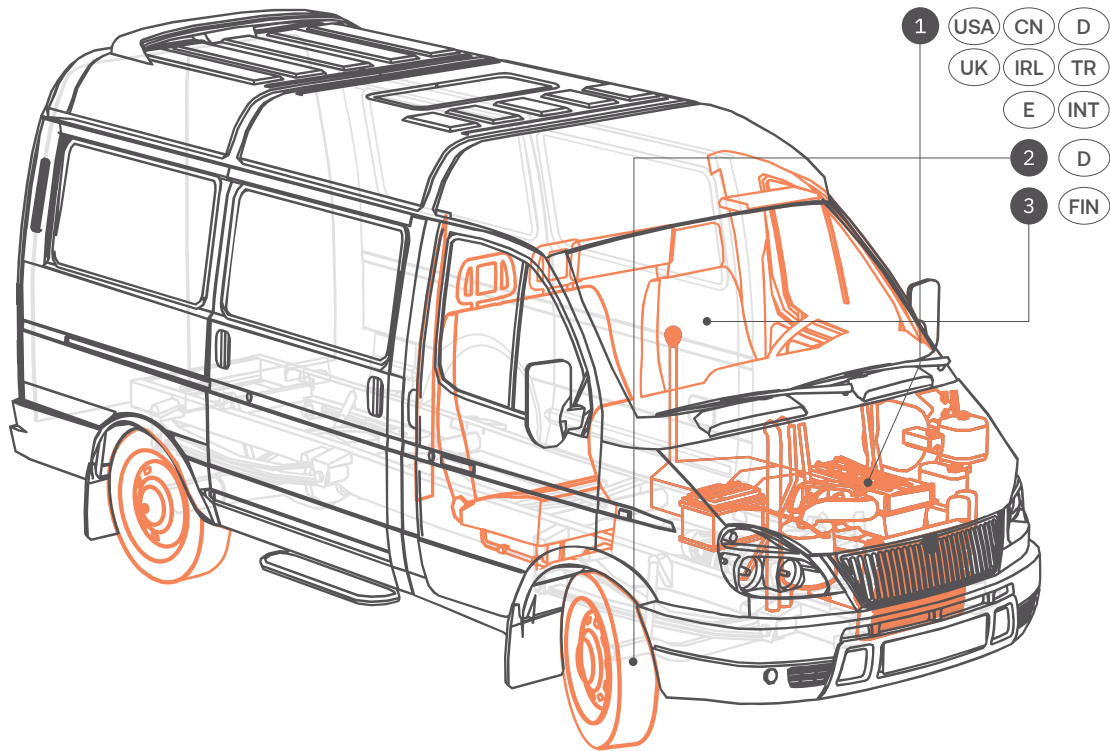
The spring and summer of 2018 were a stressful time for GAZ Group's management. It was supposed to achieve the impossible: find a replacement for Western subcontractors who supplied parts for almost all the major technical components of a modern vehicle but could no longer deliver them to Russia due to sanctions. The management called on the entire anti-sanctions repertoire to save the company: legal and diplomatic efforts, smuggling, masking the supply chain through intermediaries, re-painting and re-coding components, transferring subcontractors' production to Russia, etc.

Resolving the problem by technical means was hopeless; even if they had successfully concealed all the supply chains, the question would have remained – how do you ensure warranty, maintenance and road safety certification for vehicles made of “unknown components”?

“Import substitution” – a familiar concept in Russia's economic vocabulary referring to shedding dependence on Western technology – is largely an illusion based on the notion that it is possible to decouple your economy from the rest of civilisation in the 21st century. GAZ Group was a great example to illustrate how few Russian parts there are in a Russian car. Notably, even the plywood was transported to the factories through the forests of Northwest Russia from 1,500 km away in Suolahti, Finland. OFAC's sanctions would have effectively put the company out of business.

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Where do components for Russian cars come from?



1.

Diesel Engines

United States/China (Cummins)

Electronics: ABS, TCS, ESP – Germany
(Robert Bosch GmbH)**Gearboxes**

Germany (NDGS Diesel Gearbox Service)

Gear componentsGermany (FZ Friedrichshafen AG);
multinational (Eaton Automotive Com/Sys)**Turbochargers, transmission**Germany, United Kingdom, Ireland
(BorgWarner)**Hydraulics**

United States(Parker Hannifin)

Transmission belts, hydraulicsTurkey/Spain (Gates Endustriyel /
Gates P.T)

2.

Ball bearings

Germany (Shaeffler GmbH)

Brake drums, brake discs, hydraulic cylinders

Germany (Fritz Winter Eisengießerei)

3.

Plywood

Finland (MetsäWood)