

Priest and Cossacks Kick Off German Chemical Mixing in Lipetsk

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LIPETSK — Germany automotive supply-chain company Lanxess opened a plant here Thursday in another score for the government's efforts to develop special economic zones.

Lanxess will produce rubber additives for tires in one of these zones outside Lipetsk.

Suppliers of components for the car-making industry have grown to be the most active group that seeks to operate at special zones, said Mikhail Trushko, the new chief of the federal company that runs the zones. He described them as a perfect fit.

"Lanxess is part of our target group," he said. "We strive to attract high-tech companies."

Many of the products that Lanxess will produce will go to Japanese tire maker Yokohama, whose plant opened in the same zone last year.

In another automotive endeavor in the zones, a joint venture between carmakers General

Motors and Avtovaz began building a plant near Tolyatti to make car bodies for the Chevrolet Niva brand last month.

In Lipetsk, the additives that Lanxess will produce look either like pea-sized granules or dried-apricot-sized pellets, depending on their type. They are meant to improve the tire's contact with the road in a way that saves on the energy required for the engine to rotate the wheels.

The company invested "a few" million dollars in the plant. It will import the input chemicals for the additives from Germany, mix them up, and process the result into the required format.

At the grand opening ceremony, a black-clad Orthodox priest and a choir of three women in plain secular attire sang a Russian prayer asking God to bless the business, as the attendees— including the company's board members and executives, the German ambassador to Russia and the local governor—looked on. The quartet then went inside the premises with an aspergill to sprinkle holy water on the walls and equipment.

This was followed by another spectacle. An ensemble of men and women decked out in traditional Cossack outfits performed folk song and dance numbers so vigorously that Anno Borkowsky, chief of the Lanxess subsidiary that owns the plant, swayed with the rhythm and stroked the air with his elbows.

He said at a preceding news conference that the Russian government's requirement for the assembly lines of foreign car brands to use more local content, in exchange for customs benefits, will be helpful for selling the plant's output.

The market for tires grew 9.5 percent to 61 million units last year, another Lanxess representative said at the news conference.

Trushko said domestic and foreign investors had already spent 75 billion rubles (\$2.2 billion) on projects in the zones. That is the same amount that the federal government will have plowed by the end of this year into preparing the production sites, including connection to services like electricity, sewage and running water.

The federal spending on the infrastructure at the zones and rebates on regional taxes are among the main tools the government employs to lure investment to them.

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