

My Mission to Rev Up U.S.-Russian Car Business

By [Michelle O'Neill](#)

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As I prepare to lead the U.S. Commerce Department's automotive sector trade mission to Moscow, Samara and St. Petersburg from April 22 to 28, I am looking forward to the results of collaborative meetings with our 13 delegates, U.S. automotive parts and components manufacturers and Russian automotive companies. While in Russia, I will also continue the U.S.-Russia economic dialogue with my counterpart in the Economic Development Ministry.

Commercial engagement has never been more important to both countries' economic futures, and during the last decade the U.S.-Russia trade relationship has continued to expand — growing from less than \$10 billion in 2002 to almost \$43 billion in 2011.

This mission comes at an opportune time. After a slowdown in 2009 because of the global recession, Russia's economy is expanding anew and is expected to grow by about 4 percent annually through 2015. This growth helped drive a 20 percent increase in consumer demand for automobiles last year — a trend that has accelerated in early 2012. At this pace, in the next

two or three years, Russia could become the largest single car market in all of Europe — a fact that is attracting greater interest from U.S. automotive companies.

The U.S. trade mission offers Russian companies the opportunity to meet with U.S. businesses and build collaborative partnerships during stops in Moscow, Samara and St. Petersburg. My organization, the International Trade Administration, or ITA, has arranged about 180 business matchmaking meetings between U.S. mission participants and prospective Russian customers and partners.

The U.S. companies in the delegation will participate in one-on-one meetings with potential business partners, engage in discussions with key Russian government officials and visit automotive assembly plants and component manufacturers in the country's automotive industry centers. U.S. auto components and parts manufacturers are well-positioned to help supply the growing Russian auto industry, which from 2008 to 2010, imported an annual average of \$1.3 billion in U.S.-made components, parts and finished motor vehicles.

Russian companies seeking U.S. business partners and suppliers appreciate U.S. brand-name value and their reputation for quality, performance and after-sales service. For example, one company joining the mission holds numerous patents on specialized induction-heating systems, while another is a world leader in the supply of driveline products, power technologies and genuine service parts for light and heavy manufacturers. Others will showcase components for vehicle manufacture, replacement parts, aftermarket products, repair and testing equipment and software and engineering services. Several U.S. companies on the mission have already established a presence in Russia and are looking to broaden their business horizons in the Russian market.

In addition to Russia's domestic automakers, leading U.S. and other foreign carmakers are building assembly plants to meet Russia's increasing demand for quality vehicles — investments that are helping spur mutual economic growth:

- General Motors' joint venture with Russian auto giant AvtoVAZ in Togliatti makes 70,000 vehicles under the Chevrolet Niva brand. General Motors' St. Petersburg plant, built in 2008, produces the Chevy Cruze. Chevrolet is the top-selling foreign brand in Russia. The company has announced plans to boost output at its St. Petersburg facility to 230,000 cars per year by 2015.
- Ford's assembly plant near St. Petersburg, opened in 2002, has a 125,000-vehicle capacity. It produces the Ford Focus, one of Russia's most popular models, and the Ford Mondeo. In 2011, Ford announced a new joint venture with Sollers, a Russian automobile company formerly known as Severstal-Auto. The venture will continue production of the Focus and Mondeo and will add the Explorer SUV and the Transit light commercial vehicle, along with an engine production facility.
- Several major international original equipment manufacturers, including Nissan, Toyota and Hyundai, have opened new plants in St. Petersburg or the surrounding region. Volkswagen, PSA Peugeot Citroen and Volvo have launched production facilities in other regions of Russia. Fiat recently announced plans to build a plant to produce Jeep brand vehicles in Russia.

U.S. mission participants are further encouraged by Russia's recent invitation to join

the World Trade Organization. Russia is expected to accept this invitation and formally join the WTO this summer. As a result, Russia has committed to reducing many of its tariffs on motor vehicles and parts — some of which run as high as 35 percent.

This trade mission to Russia is an outgrowth of the expanding Russian automotive market and U.S. President Barack Obama's National Export Initiative, which aims to double overall U.S. exports by the end of 2014, supporting economic and job growth and creating stronger economic links between nations.

As U.S. coordinator for the U.S.-Russia Business Development and Economic Relations Working Group, I look forward to sitting down with my Russian counterpart at the Economic Development Ministry. As part of the U.S.-Russia Bilateral Presidential Commission, the working group is an intergovernmental forum that is coordinated by the Commerce Department and the Economic Development Ministry. The working group's goal is to identify ways to promote mutually beneficial business expansion and reduce barriers to commercial cooperation between the United States and Russia.

Following an aerospace industry mission in October 2010, the upcoming automotive trade mission is the second one I have led to Russia as part of the National Export Initiative. My expectations are high that we'll see the beginning of even more enduring business relationships. Now, it's time to shift U.S.-Russia auto-industry business into high gear.

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