



# RUSSIA and the “RESET”

## Opportunities and Challenges in Europe's Largest Market

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# Not An Easy Place to Do Business

- Government Corruption
- Challenge to find qualified business partners
- More Corruption
- Complicated and non-transparent regulatory regime
- Even More Corruption
- Large state role in the economy

# Negative Stereotypes - to Make a Point

- Challenging Market – Not for Everyone
  - We often advise companies not to try this market
  - Part of our job is to provide accurate information and good advice
  - We do this to save you time and money
- Successful Market Entry Requires
  - Thorough market research
  - Senior management long-term commitment
  - Creativity and persistence
  - Carefully following US and Russian laws from the start

## Successful Market Entry - Substantial Rewards

- A foothold in Europe's largest market
- Enjoy robust growth rates & profit margins
- Position Yourself for Expansion throughout the CIS Region in Eurasia
- 750 AmCham member companies prosper here

# World's Largest Country



- Moscow – 12 million people; St. Petersburg – 4 million
- 9 other cities with a population over 1 million: Novosibirsk, Nizhny Novgorod, Yekaterinburg, Samara, Omsk, Kazan, Chelyabinsk, Rostov-Na-Don, and Ufa



# Soviet Union - - - Modern Russia

## Traffic Then and Now





# Shopping – Then and Now





# Major Conspicuous Consumption





# MODERN RUSSIA – THE BUSINESS REALITY

- Significant progress over past 20 years.
- Impressive economic growth from 1999 – 2010.
- Rebounding strongly from the global financial crisis.
- Substantial structural, administrative, & economic reforms continue – toward WTO accession
- Strategic market with huge natural resource endowment
  - Natural Gas, Oil, Minerals, Timber
  - Provides financing for government procurement
  - Provides financing for economic diversification

# 2010 Economic Brief

- Real GDP growth: 4% 2010 (avg. +7% from '99-'08)
- Nominal GDP: \$1.56 Trillion
- Per capita GDP : \$15,000 (vs. \$5,300 in '05)
- Inflation (CPI): 9% (vs. 21% in 2000)
- Unemployment : 7.6%
- Population: 142 million (2010 census)
- World's 12<sup>th</sup> largest economy
- Highest per capita income of "BRIC" countries.
- World's 3<sup>rd</sup> largest foreign exchange reserves.
- Dramatic reduction in sovereign debt.

# Opportunity Drivers

- Presidential Modernization and Innovation Program

## 5 Priorities

- Efficient Energy production, transportation and use
- Civilian Nuclear Technology – electric power
- Information Technology
- Ground & Space Infrastructure – telecom networks
- Medical Equipment



## Opportunity Drivers, cont.

- State-run Rusnano Corporation – Investing in technology commercialization  
(earned a profit in 2010)
  - 2008 through 2010 invested \$12 billion in 104 projects
  - From 2011 plans to invest \$2.2 billion in:
    - solar energy
    - energy efficiency
    - medicine
    - biotechnology
    - metalworking
    - opto and nanoelectronics

## Opportunity Drivers, cont.

- Massive infrastructure needs
  - Road building upgrade and expansion
  - Railroad upgrade and expansion
- Russia Hosting APEC 2012 in Vladivostok
- Sochi Winter Olympics 2014
- Soccer World Cup 2018 – 10+ Russian Cities

# Leading Sectors for U.S. Exports

- **Apparel**
- **Auto Parts & Service Equipment / Accessories**
- **Aviation**
- **Construction / Greenbuild**
- **Electric Power Generation & Transmission Equipment**
- **Medical Equipment**
- **Refinery Equipment**
- **Safety & Security Equipment**
- **Travel & Tourism to U.S.**



# Taking Advantage of Opportunity

- Establishing U.S. advanced road paving technology
  - technology, know how, project management, equipment
- Proposed Trade Missions
  - Energy Efficiency
  - Automotive Supply Chain
- Completed trade mission
  - Aerospace suppliers – October 2010 - results

# Commercial Service Russia Results

- 2010 – Helped over 100 companies enter/expand in Russian market
- Ohio graphite material science company
- Arkansas manufacturer of cables for the mining sector
- California enterprise software company
- Colorado franchising company marketing video-based, live-facilitated management and sales training
- Texas maker of in home gender prediction kits
- South Carolina distributor of reconditioned U.S. medical imaging equipment
- Texas manufacturer of industrial plant, dock and terminal use tractors used in cargo and materials handling
- California – based supplier of high performance automotive parts and tuning equipment
- Wisconsin manufacturer of special purpose heavy duty trucks

# Managing Risks & Reaping Rewards

- Commercial Service Russia on the ground in Moscow, St. Petersburg and Vladivostok
- Russian staff of industry specialists writing original market research
- Practical advice on market entry and market planning
- Our main interest is your long-term success in the Russian market
- Let us help you manage the risks and reap the rewards



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