



## The Russian Market: Opportunities for the U.S. Transportation Sector

### *Developing Russia's Transportation Infrastructure Is a Win-Win for the U.S. and Russia*

Russia's economic prosperity depends on a transportation sector capable of bridging the vast expanses of the country's territory. Demand for vehicles, equipment and transportation infrastructure in Russia generates significant export opportunities for U.S. manufacturers.

- Two-thirds of Russia's **580,000 miles of roads** are in need of repair<sup>1</sup>, and the Russian government plans to build 150,000 miles of new roads by 2030.<sup>2</sup> U.S. exports to Russia of road construction equipment in 1H 2010 grew 290% over the same period in 2009 to a total of \$26 million, exceeding the full-year 2009 level of \$15 million. In 2008, these exports had grown 202% to \$90 million.<sup>3</sup>
- **Caterpillar Inc.**, which sells hydraulic excavators and other infrastructure construction equipment in Russia, saw its sales in Russia grow **550%** between 2004 and 2008.<sup>4</sup>
- U.S. firms supply Russia with vehicles needed to move goods along the country's highway system. U.S. exports to Russia of road tractors, trailers, semi-trailers and parts totaled nearly \$6 million in 1H 2010, following a total of \$16 million in full-year 2009. Prior to the global recession, these exports to Russia grew 36% in 2008 to reach a record high of \$233 million.<sup>5</sup>
- Russia powers many of its vehicles with U.S.-made engines. In 1H 2010, U.S. exports to Russia of engines and engine parts grew 92% over the same period in 2009 to more than \$21 million, putting them on track to exceed the full-year 2009 level of \$27 million. In the pre-crisis years, these exports to Russia had totaled more than \$70 million annually between 2006 and 2008.<sup>6</sup>
- Demand for U.S. transportation goods extends beyond Russia's roads. U.S. exports to Russia of ships and boats were valued at nearly \$10 million in 1H 2010, following exports of \$20 million in 2009. Previously, these exports had grown 59% in 2008 to total more than \$61 million.<sup>7</sup>

### *Russia is an Important Market for the U.S. Aviation Industry*

WTO accession will improve market access for U.S. firms seeking to tap into the potential of Russia's aerospace sector.

- **Boeing** has fulfilled more than **\$5 billion worth of contracts** in Russia<sup>8</sup>, and in mid-2010 the company won a \$4 billion tender to supply at least 50 midrange jets to Russian Technologies State Corporation.<sup>9</sup>
- Russian airlines have worked with leasing companies such as **General Electric** to facilitate the acquisition of Western aircraft through financing and leasing solutions.<sup>10</sup>
- As part of its WTO commitments, Russia will lower its tariffs on aircraft from 20% to 7.5%, reduce its tariffs on aircraft engines to an average of 5%<sup>11</sup>, and open its aircraft repair and maintenance and computer reservation services to foreign companies.<sup>12</sup>

### *Russia's Railroad Sector Holds Abundant Business Opportunities for U.S. Firms*

With 54,000 miles of track, **Russia has the world's second-largest railway system**<sup>13</sup>, carrying 1.3 billion passengers and 1.3 billion metric tons of freight each year.<sup>14</sup> Russia represents a potentially lucrative market for U.S. suppliers of track and safety equipment, communication technologies and management systems.

- In 1H 2010, U.S. exports to Russia of track-laying tractors, rail equipment, vehicles and parts grew 54% over the same period in 2009 to \$25 million, surpassing the full-year 2009 total of \$23 million. Previously, these exports had grown 36% in 2008 to reach \$122.5 million.<sup>15</sup>
- **General Electric** supplies railway signaling systems and products to Russia's rail network.<sup>16</sup>
- In 2009, New York's **IBM Corp.** was contracted to provide hardware, software and services to consolidate and improve file-sharing and ticketing systems for Russian Railways.<sup>17</sup>

<sup>1</sup> Central Intelligence Agency, "Russia," *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/>, (accessed July 16, 2009); Economist Intelligence Unit, "Russia Risk: Infrastructure Risk," *Risk Briefing Select*, June 12, 2009.

<sup>2</sup> "Russia Needs over 150,000 Miles of Roads for Economic Stability," *SKRIN Market and Corporate News*, May 25, 2009.

<sup>3</sup> U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia, (HTS-8429, HTS-8426410005) 2004-2009 and Jan-May 2010, by FAS Value.

<sup>4</sup> Caterpillar Chairman and CEO Jim Owens Unveils First Russian Assembled Hydraulic Excavator at Conexpo Russia, "Caterpillar, Inc. Press Release," <http://www.cat.com/cda/components/fullArticle?m=375238&x=7&id=1052167>, (accessed September 1, 2009).

<sup>5</sup> U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia (HTS-870120 + HTS-8716), 2003-2009 and 1H 2010, by FAS Value.

<sup>6</sup> U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia (HTS-8407 + HTS-8408 + HTS-8409 + HTS-8412), 2003-2009 and 1H 2010, by FAS Value.

<sup>7</sup> U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia (HTS-89) 2003-2009 and 1H 2010, by FAS Value.

<sup>8</sup> «Бойинг в России», The Boeing Company Website, [http://www.boeing.ru/website\\_26/pages/page\\_7422/uploads/Boeing%20final%20email%20.pdf](http://www.boeing.ru/website_26/pages/page_7422/uploads/Boeing%20final%20email%20.pdf), (accessed August 19, 2009).

<sup>9</sup> "Remarks by President Obama and President Medvedev of Russia at the U.S.-Russia Business Summit," White House Transcript, June 24, 2010.

<sup>10</sup> General Electric Company.

<sup>11</sup> "Non-Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

<sup>12</sup> "Principal Results of Russia's WTO Market Access Negotiations," Ministry of Economic Development and Trade of the Russian Federation, November 24, 2006.

<sup>13</sup> Central Intelligence Agency, "Russia," *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/>, (accessed July 16, 2009).

<sup>14</sup> Alstom and the Russian Rail Manufacturer Transmasholding Sign Strategic Partnership Agreement," *SKRIN Market & Corporate News*, April 14, 2009.

<sup>15</sup> U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia (HTS-870130 + HTS-86) 2003-2009 and 1H 2010, by FAS Value.

<sup>16</sup> "GE in Russia & CIS," General Electric Website, [http://www.ge.com/ru/en/company/factsheet\\_ru.html](http://www.ge.com/ru/en/company/factsheet_ru.html), (accessed August 26, 2010).

<sup>17</sup> "IBM and Russian Railways Build Smarter Transportation System," PR Newswire Europe, May 21, 2009.