



The Russian Market: Opportunities for the U.S. IT Sector

Russia Is the Fastest-Growing IT Market in the World¹

Russia's market for information technology (hardware, software, and internet services) is growing 20% annually,² making Russia the fastest-growing IT market worldwide, and creating abundant business opportunities for U.S. firms.

- The value of Russia's IT market stood at \$14 billion in 2006.³
- Foreign investment in Russia's IT sector grew 20% in 2006 to total \$4 billion.⁴
- The share of Russians owning a personal computer is expected to increase from 16% at present to over 40% in the next few years.⁵
- Russia ranks among the world's leading countries in terms of total number of internet users, and some expect that internet penetration will grow to 40% by 2010 (up from 18% in 2006).⁶
- According to some estimates, Russia's wireless broadband market will grow between 50-100% on the year in 2007,⁷ and analysts expect the number of Wi-Fi spots in Russia to jump nearly 40% this year.⁸

U.S.-Brand Hardware and Software Products Are Highly Valued in Russia

Russians are attracted to the high-quality products offered by U.S. companies, many of which are present in Russia, either through representative offices or distributors.⁹

- Hewlett Packard is the #1 IT vendor in Russia.¹⁰
- Intel Corporation's notebook computer sales are growing – the company sold close to 300,000 in 2003, and the company's 2006 sales are estimated at up to 1.5 million.¹¹
- In the first half of 2006 alone, Microsoft reported a 72% growth in software sales.¹²
- IBM's business in Russia grew more than 20% in 2006.¹³
- More than 65% of Russia's public organizations use Oracle technology.¹⁴
- U.S exports of parts and accessories for data-processing machines to Russia rose more than 25% over 2004-2006 to value \$127 million last year.¹⁵
- As part of its WTO commitments, Russia will permit IT imports to enter Russia duty-free.¹⁶

Shoring up Russia's Place in the Digital Age Is a Win-Win for the U.S. and Russia

Russian officials are looking to the high tech sector to help diversify Russia's economy away from oil and gas, and the involvement of U.S. IT companies in Russian R&D benefits both the Russian economy and the competitiveness of U.S. firms. In addition, Russia's highly-educated population and rising income levels combine to offer U.S. IT firms a large market for networking and internet services.

- Since 1992, Intel has invested \$700 million in its Russia-based operations.¹⁷
- IBM maintains relationships with 30-40 Russian universities to tap Russia's creative IT talent and create new technological applications.¹⁸
- Cisco Systems helped set up Russia's first residential broadband internet access network, and the company also helped create Russia's first university Wi-Fi zone at Nizhni Novgorod State University.¹⁹

¹ *Agence France Press*, (February 28, 2007).

² *Ibid.*

³ *Ibid.*

⁴ Converted from 110 billion RR at 27 RR = \$1.00. See: *Russia & CIS Business & Financial Daily*, (March 15, 2007).

⁵ *RosBusinessConsulting*, (March 15, 2007).

⁶ *Prime-Tass*, (August 17, 2007).

⁷ *Prime-Tass*, (January 26, 2007).

⁸ *Ibid.*

⁹ "Update of Computer Software Market in Russia," *BISNIS*, (June 2005).

¹⁰ "U.S. Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

¹¹ *San Francisco Chronicle*, (February 7, 2006).

¹² *International Herald Tribune*, (March 14, 2007).

¹³ "U.S. Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

¹⁴ Oracle Press Release, (April 20, 2006). See: http://www.oracle.com/global/ru/press/ppr/21042006_3.html (in Russian).

¹⁵ ITC Dataweb, Total U.S. Exports to Russia (HTS-8473300000), 2004-2006, FAS Value.

¹⁶ "Non-Agricultural Goods Market Access," USTR Fact Sheet, (November 19, 2006).

¹⁷ "U.S. Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

¹⁸ *San Francisco Chronicle*, (March 9, 2007).

¹⁹ Cisco Press Release, (February 16, 2001); Cisco Press Release, (February 23, 2004).