

## 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 relies on its transportation sector to bridge the vast expanses of the country's territory. To develop its transportation infrastructure, Russia is making use of foreign expertise and equipment, opening up opportunities for U.S. firms.<sup>1</sup>

### Russia's Transport Sector Offers an Expanding Market for U.S. Equipment Manufacturers

U.S. exports to Russia of transportation equipment in 2006 exhibited substantial growth across the spectrum of equipment categories.

- U.S. firms supply Russia's highway transport system – U.S. exports to Russia of road tractors, semi-trailers and parts grew 90% last year and stood at US\$74 million.<sup>2</sup>
- Exports to Russia of U.S. engines and engine parts surged 284% by value in 2006 and totaled US\$70 million.<sup>3</sup> Furthermore, these exports grew another 118% in the first half of 2007.<sup>4</sup>
- Caterpillar sells scores of engines through regional dealers in Russia. In 2005, for example, Caterpillar supplied engines to a Russian company launching a fleet of trucks.<sup>5</sup>
- In 2006, U.S. exports to Russia of maritime vessels displayed impressive growth (77%),<sup>6</sup> and exports of U.S. dump trucks increased 130%.<sup>7</sup>

### U.S.-Russian Collaboration in the Aviation Industry Is Strong and Offers New Opportunities

As Russia's middle class expands, U.S. aviation companies are reaping the benefits of Russians' desire to travel.

- Delta Airlines reported that sales in Russia soared 70% in 2006, making Russia one of the company's fastest growing markets.<sup>8</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>9</sup>
- Foreign investment in Russia's aviation sector should increase as a result of legislation passed in 2006 permitting foreigners to hold larger stakes in Russian aircraft makers.<sup>10</sup>
- As part of its WTO commitments, Russia will also open its aircraft repair and maintenance, and computer reservation services to foreign companies.<sup>11</sup>

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

The Russian rail market, valued at roughly \$3 billion, is the largest in the world, and represents a potentially lucrative market for U.S. track and safety equipment, communication technologies, and management systems.

- Russian imports of U.S. rail equipment, vehicles, and parts jumped 237% by value in 2006 to US\$58 million.<sup>12</sup>
- Russian Railways, the country's rail giant, is actively working with a number of U.S. IT / telecommunications firms to upgrade its tracking and traffic control systems,<sup>13</sup> and it plans to attract about US\$9 billion worth of investment in 2007.<sup>14</sup>
- Connecticut-based Great Circle Capital recently announced an investment of US\$21 million in a Russian logistics company.<sup>15</sup>

<sup>1</sup> Russia's transportation sector expanded by another 9% in 2006. See: *BOFIT Weekly*, (February 9, 2007).

<sup>2</sup> ITC Dataweb, Total U.S. Exports to Russia (HTS-870120 + HTS-871690 + HTS-871639 + HTS-871640) 2005-2006 by FAS Value.

<sup>3</sup> ITC Dataweb, Total U.S. Exports to Russia (HTS-8407 + HTS-8408 + HTS-8409 + HTS-8412), 2005-2006 by FAS Value.

<sup>4</sup> *Ibid*, YTD Jan-June 06/07, by FAS Value.

<sup>5</sup> *Kommersant*, (Feb. 18, 2005).

<sup>6</sup> ITC Dataweb, Total U.S. Exports to Russia (HTS-89) 2005-2006 by FAS Value.

<sup>7</sup> ITC Dataweb, Total U.S. Exports to Russia (HTS-870410) 2005-2006 by FAS Value.

<sup>8</sup> "American Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

<sup>9</sup> General Electric.

<sup>10</sup> *RIA Novosti*, (October 26, 2006).

<sup>11</sup> "Principal Results of Russia's WTO Market Access Negotiations," Russian MEDT Fact Sheet, (November 24, 2006).

<sup>12</sup> ITC Dataweb, Total U.S. Exports to Russia (HTS-870130 + HTS-86) 2005-2006 by FAS Value.

<sup>13</sup> Irina Konstantinova, "Opportunities for Russian Far East Railroads," *BISNIS*, (May 22, 2006).

<sup>14</sup> *RIA Novosti*, (December 18, 2006).

<sup>15</sup> *Business Wire*, (July 20, 2007).