



**Consulate General of the United States of America  
St. Petersburg, Russia**

**Remarks to the American Chamber of Commerce, St. Petersburg Chapter  
Sheila S. Gwaltney, U.S. Consul General  
St. Petersburg, October 7, 2008  
As delivered**

Good Evening. I am delighted to have the chance to meet with you tonight and very happy to be back in St. Petersburg. As some of you already know, this is not my first time serving at the U.S. Consulate General in St. Petersburg. I lived and worked here between 1992 and 1995 covering political and economic matters.

Those were very different times -- soon after the dissolution of the Soviet Union, when a small number of American businesses were just beginning to look at Russia as a new market, opinions ranged from cautious optimism to severe skepticism regarding Russia's ability to transform itself into a market economy.

Also at that time, the U.S. Commercial Service -- the Commercial Section of our Consulate -- opened its doors to the public as a resource for U.S. companies requiring assistance to enter this market. It also served, as it still does today, as a place for Russian companies and individuals to turn for advice and support when looking for American-made equipment and technology or for opportunities to represent U.S. companies.

Fast forward to 2008:

- Russia today is a trillion-dollar economy, now the ninth largest in the world and perhaps the fifth largest by 2010, with the world's third biggest hard-currency reserves, a rising middle class, and fewer people struggling below the poverty line.
- Fourteen million Russians traveled outside the country last year, with an increasing number of them traveling to the United States for business, educational study and tourism.
- With 40 million Internet users in Russia, a whole generation has grown accustomed to its connection to the rest of the world and is increasingly aware of all its possibilities.

To paraphrase from Thomas Friedman, the world has truly flattened in the time that passed between my first assignment in St. Petersburg and my return this summer.

Let me provide some examples of what I mean as a way of highlighting the growing importance of our bilateral economic relationship and to demonstrate how the activities of AmCham members have contributed and continue to contribute in a positive way to this relationship:

- U.S. exports worldwide rose 13 percent in 2007.
- Compare that figure with U.S. exports to Russia, which grew more than four times faster during the same period.
- U.S. exports to Russia last year topped \$7.3 billion -- a 57 percent increase from the previous year.

- While Russia is clearly becoming more and more important as an overseas market for U.S. exports of high-quality goods and services, the United States is increasingly important as a market for Russian enterprises. Year-end figures for 2007 show that our overall trading relationship grew significantly, reaching \$27 billion.

We are also witnessing amazing growth in American investment in Russia. When U.S. Ambassador William Burns concluded his assignment in Russia this past spring, he noted that American foreign investment increased about 50 percent in each of the 3 years he served as ambassador. He concluded that more than 100,000 Russian jobs could be traced directly to U.S. businesses or investment.

A great many of those jobs have been created here in Northwest Russia thanks to your hard work and the active support of local authorities. Throughout this region, I am proud to note that American companies are the leading foreign investors:

- They are involved in a wide-variety of different sectors including IT, Automotive, Fast Moving Consumer Goods, and Forestry Products.
- In the brief time since assuming this position, I have had a chance to talk to representatives of several U.S. companies investing in this region.
- I toured Kraft Food's coffee plant in Gorelova which inaugurated its \$100 million expansion earlier this year.
- I spoke with International Paper representatives to learn of their \$1.2 billion joint venture agreement with Ilim Pulp concluded last year.
- Next month I look forward to celebrating with General Motors the inauguration of their new automotive manufacturing facility in Shushary. And the same morning of the GM opening, the U.S. Consulate will hold a U.S. elections event which we hope you will want to become a part of.
- And just a month ago I traveled to Varenday in the Nenets Autonomous Okrug to attend a special ceremony with ConocoPhillips and Lukoil executives on the occasion of the start up of the oil and gas field in Yuzhno Khylychuyu. According to ConocoPhillips, some of the oil produced at the field and transported by a 158-kilometer-long oil pipeline to the Varandey Oil Export Terminal on the Barents Sea coast will eventually be for sale to European and North American markets, including the United States.

Foreign Investment flows were for many years on a one way path, but no longer, as Russian companies are discovering the United States as an attractive market for trade and investment. Foreign direct investment plays a major role in the U.S. economy, both as a key driver of the economy and an important source of innovation, exports and jobs. As a place to do business, the United States offers a predictable and transparent legal system, low taxes, outstanding infrastructure, and access to the world's most lucrative consumer market. The United States has traditionally provided foreign investors a stable and welcoming market and there are several examples of Russian enterprises recognizing this.

One example of how much things have changed these past few years -- and how the world has flattened:

- You can now fill up your car at a Lukoil gas station in Washington, DC, just a few blocks from the White House. This gas station is one of over 2000 facilities Lukoil has in 13 American states.

- Another example is the Russian company Severstal, now the fourth largest integrated steelmaker in the United States and an important investor in the U.S. economy.
- Thousands of American workers are employed by Severstal in Michigan, Ohio, West Virginia, Mississippi and Maryland. Illustrative of how times have changed, Severstal's North American headquarters is located in Dearborn, Michigan -- a mere two miles from the global headquarters of the Ford Motor Company, which itself is one of the most important foreign investors in Leningrad Oblast.

Earlier this year, our Consulate had the pleasure of hosting U.S. Secretary of Commerce Carlos Gutierrez and members of the President's Export Council during the St. Petersburg International Economic Forum. During the visit, the Secretary noted that Russia's high GDP growth and economic modernization over the past decade has made it an increasingly important market for American products and services.

Whenever Secretary Gutierrez has traveled to Russia, AmCham has done a superb job putting together roundtables with leading American companies active in this market and I thank AmCham for its assistance during this latest visit. Last year, at an AmCham event in Moscow, the Commerce Secretary said something that I believe speaks to the importance of your role as AmCham member companies. He said:

“While political issues between our nations tend to garner the most headlines, economic interests should not be ignored. U.S.-Russia commercial ties are stronger and more dynamic than ever before, providing stability to our overall relationship.”

In the past year, AmCham has briefed visiting U.S. Congressional delegations, Governors, Cabinet Secretaries and other VIPs as well as a number of business delegations from the United States, giving them the “on the ground” perspective that is so critical to their understanding of developments and possible future directions in Russia. Your organization has held many fruitful events with Russian local and federal officials on a wide range of topics.

Many of you have been to AmCham's office here in St. Petersburg. Next time you are there, if you haven't noticed already, look around at the way the office has been decorated. There are numerous photos of bridges decorating the walls.

As Maria Chernobrovkina explained to me, this was a conscious decision and, in my opinion, a prescient one. In a literal sense, bridges help people cross impediments that would otherwise be difficult, if not impossible, to get beyond. As the leading foreign business organization in Russia, AmCham plays a critical role in bringing people together to increase understanding, resolve differences and promote an environment in which there is greater stability in our bilateral relations. I commend AmCham for its accomplishments and look forward to working with all of you in the coming years to further strengthen U.S.-Russian relations.

In conclusion, please allow me to introduce a key member of our Consulate who is available to assist you. Most of you already know Keith Silver, our Principal Commercial Officer. Keith and his colleagues at the U.S. Commercial Service are available to assist American firms with issues related to trade and advocacy. We also have a handout with information on requesting an absentee ballot for the Presidential elections, if you are registered to vote in the U.S. One final note, if I may: one of the many signs of the success of foreign investment here in St Petersburg is the fact that the Anglo-

American School, where many of your children and the children of your employees study, is bursting at the seams. Many of your companies already have voiced to me, to my predecessor Mary Kruger, and to our Ambassador in Moscow your concerns about the urgent need for the AAS to expand. We are re-doubling our efforts to secure a new site for the school and would welcome your support in that effort. If this is an issue important to you, please let me know either this evening or by phone or email.

Thank you again for inviting me to join you this evening. Much has changed in Russia since I last served here. AmCham and your companies have been a major part of this city's and region's economic success story. I commend you for your achievements and want to underscore that the Consulate, through Keith Silver and his team and all the rest of us, will remain your partners.

Thank you.