

Expanding Overseas: The Best Large Markets

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The world's largest foreign markets are all growing — and making it easier for western companies to join their economies.

India



India's growing middle class is a strong market for consumer electronics and other goods.

(Photo by [Tierecke](#), CC 2.0)

GDP:

\$1 trillion

Population:

1.12 billion

GDP growth rate:

9.4 percent

Why it's hot:

Driven by a rising middle class, India is on track to become the world's fifth-largest consumer economy by the year 2025. With a median age of 25, the country's population is young. These consumers speak English, and they have an appetite for consumer goods and the money to buy them.

Sectors in demand:

The target here is India's middle class. This is especially true for wireless companies — India's cell phone market grew 91 percent from 2000 to 2005 — and any company in fashion, retail, cable, computers, cars, and tourism. Samsung has opened an R&D facility here; Google started testing cell phone ads in the country; and Dell soon will sell PCs in Indian retail outlets. India also is witnessing growth in the aviation, energy, biotech, hospitality, and retail sectors. In Delhi alone, 22 million square feet of shopping malls will be built in the next two years, and thousands of hotel rooms are under construction.

Cost of doing business:

Low. Though wages are climbing fast, India boasts an educated, low-cost, and skilled workforce. (A senior software manager in India with over ten years of experience makes around \$40,000 a year, compared to \$120,000 in the United States, according to payscale.com.) The country also offers transparent, investment-friendly economic policies. But because Indians may live with extended families even into their 30s and defer to their elders when it comes to career choices, be prepared to woo not only young workers but also their parents, and to extend employee perks, loans, or health benefits to some or all of them. India also is creating special enterprise zones, including biotechnology zones in Tamil Nadu in southeast India, in which foreign investors and operations receive tax exemption status for the first five years.

Risk assessment:

About 70 percent of the population lives in far-flung villages, not in the country's major cities. That's a significant barrier-to-entry issue because rural India remains woefully behind many developing markets in basic infrastructure, including road works and electrification. Also expect trouble with the country's cumbersome bureaucracy and some local control over businesses. Recruitment costs can be higher than those in North America, because attrition is high and the labor market is tight. On the plus side: Changes are under way to make business ownership easier. The country now allows foreign firms to own retail stores; historically, it required an Indian joint venture in the retail sector.

Russia



American brands are thriving in the new Russia. (Photo by [Rob Lee](#), CC 2.0)

GDP:

\$1.286 trillion

Population:

140.7 million

GDP growth rate:

8.1 percent

Why it's hot:

Russia's economy is one of the fastest growing in the world, thanks to its oil and natural gas production. The GDP growth rate of 8.1 percent is nearly double the United States' GDP. The rise of the New Russians — status-conscious consumers who want luxury name brands — have driven European brands like Louis Vuitton into high-end Moscow shopping malls. Meanwhile, the rest of the country slowly is becoming westernized, as chains like Starbucks, McDonald's, Subway, and Ritz-Carlton set up shop. Lured by an educated, literate, and low-cost workforce (average per-capita income was \$7,000 in 2006), big U.S. companies including General Motors, Coca-Cola, Gillette, Proctor & Gamble, Microsoft, and Intel have operations there as well.

Sectors in demand:

Russians are demanding furniture, fast food, high-end clothing and jewelry, and home-improvement products. One of the fastest-growing sectors is retail, which attracts 24 percent of Russia's foreign investments, according to PricewaterhouseCoopers' report "[Doing Business in the Russian](#)

Federation 2006. “This is a country starved for consumer goods,” says Sheila Puffer, professor of international business at Northeastern University. The Russian government has offered tax breaks to companies that start major assembly lines in the country. Ford, General Motors, and most major auto manufacturers now operate there, as do Microsoft, Intel, and IBM. Commercial banking also is big and growing faster than the country’s overall economy, according to PricewaterhouseCoopers.

Cost of doing business:

Medium. The ruble is strong compared to both the U.S. dollar and the Euro, but the per capita GDP is three times that of China. Wages climbed 17.5 percent in the past year. New tax reforms created a 13 percent flat-rate personal income tax and decreased corporate taxes to 24 percent from 35 percent.

Risk assessment:

Russia’s political elite has created an energy oligarchy, and other industries also are controlled by a very few politically connected business barons. Bribery and corruption in the country should not be underestimated by companies looking to expand here. In addition, rapidly changing laws and unclear limits on foreign investments make business unpredictable, and contract negotiations can be arduous and complex. Retail and consumer businesses face a lack of space and insufficient infrastructure in major cities.

China



No other economy has grown as much as China in the last 30 years. (Photo by [Poagao](#), CC 2.0)

GDP:

\$3.25 trillion

Population:

1.3 billion

GDP growth rate:

11.4 percent

Why it's hot:

With a rising middle class about the size of the entire U.S. population, China, the world's most populated country, has seen a tenfold increase in its GDP since 1978, something no other modern economy can claim. As tourists flock to the country for the 2008 summer Olympic games, the Chinese undoubtedly will be introduced to even more Western ideas and customs.

Sectors in demand:

Much of China's growth obviously has been driven by its low-cost outsourced manufacturing capabilities; hourly wages cost \$1.41 per hour, compared to \$24.48 in the United States. But with 1.3 billion people and a growing middle class, there's potential to bring expertise and products to the food, clothing, real estate, cell phone, computer, and automotive sectors. The Chinese bought 4.7 million cars last year, with the Chinese auto market growing by 500 percent in the last ten years. Best Buy opened its first store in China after the country allowed foreigners to own retail operations and distribute both imported and locally made products. The Chinese government also is promising environmental changes — such as replacing old coal-fired power stations with cleaner versions — which represents a \$300 billion business opportunity according to Chinese trade officials. In that same vein, Chinese are turning to battery-powered “e-bikes” as fuel prices and environmental concerns grow. If you're in the water-delivery technology business, then take a look at China, because 100 of its major cities have damaged and old pipes that will lead to water shortages in the near future.

Cost of doing business:

Medium. Though labor costs are climbing fast in China, they're still expected to be 10 times lower than in the U.S. by 2010, according to PricewaterhouseCoopers' report [“Establishing a Business Presence in China](#)

.” Complex rules governing bank accounts and foreign currency loans can make moving money in and out of the country difficult, according to the report. Success in China depends heavily upon partners and relationships with local business interests. Foreign companies must spend time — sometimes years — developing these personal relationships.

Risk assessment:

China's potential as a world business leader has been set back in the last five years by the lack of oversight in its manufacturing sector, which has shipped deadly and defective products worldwide. The nation's terrible pollution — and scrutiny of its human rights violations — has not helped the country's image either. As a result, it might be hard to get top management to relocate here to start a Chinese enterprise. Rules, taxes, and trademark protection also vary by province and city, and

there's inconsistent interpretation of laws and regulations. A big concern is intellectual property rights: China has signed treaties, passed legislation, and created special courts to safeguard IP rights, but counterfeiting and IP theft is on the rise, according to the PricewaterhouseCoopers report.

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