



U.S.-Russia Investment Opportunities

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This presentation provides an overview of an area of vital interest to the U.S. economy – foreign direct investment in the United States. During my discussion I will highlight the importance of Foreign Direct Investment, known as FDI, discuss some of the reasons why the U.S. is the best location for your investment and provide an overview of the resources available to foreign investors through SelectUSA.

FDI and the U.S. Economy



| | |
|----------------------|--|
| 5.3 million | Workers Employed by U.S. Affiliates of Foreign Firms in the U.S. in 2009 |
| \$43 billion | Amount U.S. Affiliates of Foreign Firms spent on R&D in the U.S. in 2008 |
| \$154 billion | Amount U.S. Affiliates of Foreign Firms Spent on Capital Investments in 2009 |
| \$220 billion | Size of FDI Flows into the U.S. in 2011 (preliminary) |
| \$410 billion | Amount of Wages Paid to Employees of U.S. Affiliates of Foreign Firms in 2009 |
| 21% | Percent of all U.S. exports come from U.S. subsidiaries of foreign firms in 2009 |
| 33% | U.S. Affiliates of Foreign Firms On average Pay 33% More than the economy-wide average in 2009 |

Source: Bureau of Economic Analysis

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As I mentioned, Foreign Direct Investment is important to the economy of the United States.

Recent figures indicate that \$220 billion of investment flowed into the U.S. in 2011. The United States attracted more FDI than any other country in the world.

In addition, U.S. affiliates of foreign firms are making huge capital and research and development investments in the U.S.

Through the efficient use of these investments in the U.S. economy, foreign firms are able to employ 5.3 million workers in the U.S.

These numbers demonstrate the trust foreign firms and individuals put in the U.S. economy, as well as the United States' dependence on foreign investment. In a moment I will highlight some of the reasons why investors are choosing the U.S. as their investment destination and the resources available to investors.

About SelectUSA



SelectUSA was created by the Executive Order of the President of the United States in June 2011.

The Executive Order outlines:

1. The Administration's policy on business investment
2. The establishment and functions of the SelectUSA initiative

Vol. 76, No. 118 / Monday, June 20, 2011 / Presidential Documents 35715

Presidential Documents

Executive Order 13577 of June 15, 2011

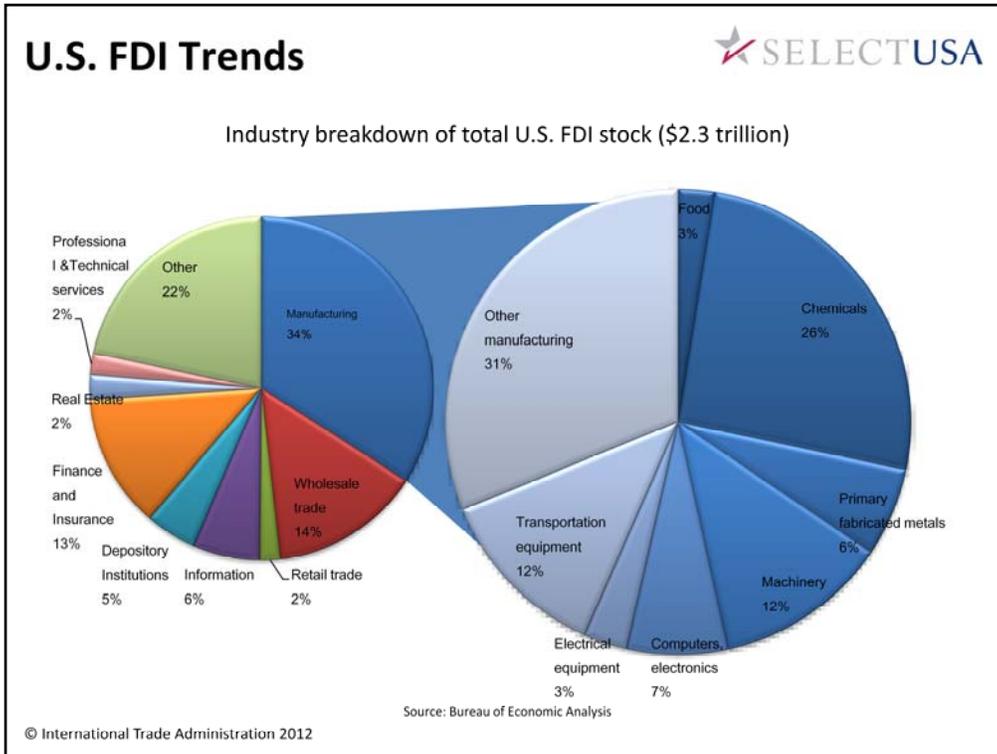
Establishment of the SelectUSA Initiative

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in order to support private-sector job creation and enhance economic growth by encouraging and supporting business investment in the United States, it is hereby ordered as follows:

Section 1. Policy. Business investment in the United States by both domestic and foreign firms, whether in the form of new equipment or facilities or the expansion of existing facilities, is a major engine of economic growth and job creation. In an era of global capital mobility, the United States faces increasing competition for retaining and attracting industries of the future and the jobs they create. My Administration is committed to enhancing the efforts of the United States to win the growing global competition for business investment by leveraging our advantages as the premier business location in the world.

As a place to do business, the United States offers a hardworking, diverse, and educated workforce, strong protection of intellectual property rights, a predictable and transparent legal system, reliable low-cost, reliable data,

First, let me introduce you to SelectUSA. SelectUSA was created by an Executive Order of the President of the United States and is housed within the U.S. Department of Commerce. The U.S. Commercial Service is the representative of the Department of Commerce in Russia and is leading the efforts to provide assistance to foreign investors as they make their decisions to invest in the U.S.



Let me quickly provide an overview of FDI trends.

Of the \$2.3 trillion stock of FDI that currently resides in the U.S. from the rest of the world, 34 percent, or \$791 billion, is invested in the U.S. manufacturing sector.

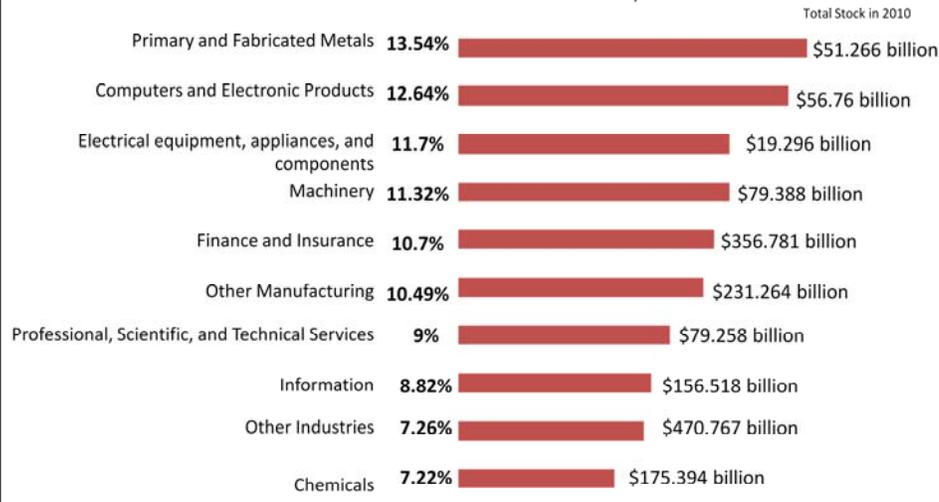
Between 2005 and 2009, the total stock of FDI in manufacturing increased by a compound annual growth rate of more than 12 percent.

It is important to note that the United States is an enormous economy. A small, niche industry in one country can be a multi-billion dollar market in the United States. For these reasons, a company cannot be truly global unless it has operations in the United States.

FDI and the U.S. Economy

Top 10 FDI Growth Sectors in the United States

(Compound annual growth rate in FDI position between 2005 and 2010 and dollars in 2010 on a historical cost basis)



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Source: Bureau of Economic Analysis

Within the manufacturing sector, the fastest growing subsector receiving FDI was Advanced Manufacturing which includes: computers and peripheral equipment; communications equipment; custom steel products; electrical equipment and components; and pharmaceuticals and medicines.

In an economy that is as large and diverse as the United States, there are significant opportunities for investment in other manufacturing industries, as well as the service, real estate and financial sectors.

The U.S. Business Climate



#1 IESE Business School's 2011 Venture Capital and Private Equity Index
France: #17 Germany: #16 UK: #3

#4 World Bank's Ease of Doing Business 2012 ranking
France: #29 Germany: #19 UK: #7

#4 AT Kearney's 2012 FDI Confidence Index
France: # 17 Germany: #5 UK: #8

#5 World Economic Forum's 2011-2012 Global Competitiveness rankings
France: #18 Germany: #6 UK: #10

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We have looked at the amount of investment that is entering the U.S., now let us discuss why investors are selecting the United States as their leading investment destination of choice.

First, let's look at the business climate. The United States consistently ranks among the top world economies for having a fair, balanced and competitive business climate. This is achieved through continuous investments in its infrastructure, legal system, education and workforce training and business friendly policies.

The U.S. Business Climate



- **Center for Global Innovation and Entrepreneurship**

U.S. Responsible for 36% of Total World R&D Expenditures (EU-27 accounted for 24%); Average 558,000 new businesses created per month in 2009 ¹

- **Strong Intellectual Property Right Protections**

50.1% of the Patents Granted in 2009 by the U.S. Patent Office Originated from a Foreign Country ²

- **A Leader in Higher Education**

15 of the top 20 universities in the World (Europe has 4 of the top 20) ³

- **Productive Workforce**

U.S. labor productivity grew 2.3% in 2009 (France: -1%, Germany: -2.3%, UK: -2.5%) ⁴

- **Strategic Market & FTAs**

Population of U.S. and FTAs is 695 million; U.S. 42% of Global Consumer Goods Market ⁵

- **Open to People, Cultures, and Ideas**

U.S. has more Irish than Ireland, Filipinos than Manila, Chinese than Hangzhou* and Poles than Warsaw ⁶

1 National Science Foundation Science and Engineering Indicators 2010; Kauffman Index of Entrepreneurial Activity 1996-2009; 2. U.S. Patent and Trademark Office; 3. The Times Higher Education Report 2010-2011 (U.K.); 4. OECD Labor Productivity Statistics; 5. Office of the U.S. Trade Representative; Central Intelligence Agency – The World Factbook; and Credit Suisse survey; 6. U.S. Census Bureau, *Hangzhou city proper

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The United States prides itself on its entrepreneurial spirit, highly educated and productive workforce, and the protections it provides for the real and intellectual property of investors.

Of course, the sheer size of the U.S. market cannot be ignored. The U.S.A. is the world's largest rich country, and operations in the U.S. give you access to the huge American market. By American, I mean the U.S., Canada and Mexico due to the North American Free Trade Agreement, or NAFTA.

Thanks to NAFTA and our other Free Trade Agreements, U.S. manufactured products receive free trade status with 695 million people throughout the world, or 42% of the global consumer goods market.

Innovation and Entrepreneurship



More Nobel prize winners completed their winning research in the U.S. than in all other countries combined.

In 2009 . . .



41.2% of all R&D in developed countries took place in the United States



The U.S. received more patent applications (456,106) than any other country, more than half were from non-residents. China: 314,573 Euro. Patent Office: 134,580 Japan: 348,596



U.S. researchers published over 270,000 articles, more than anywhere else in the world.

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Sources: OECD, www.nobelprize.org, WIPO

The U.S. commitment to innovation is unsurpassed. Whether it is the number of Nobel prize winners researching in the U.S., the amount of R&D money spent in the U.S., or our vast number of patent applications, the U.S. is a leader.

Entrepreneurship and Opportunities



The U.S. ranks 5th in entrepreneurship and opportunities. A strong entrepreneurial climate in which citizens can pursue new ideas and opportunities for improving their lives can lead to higher levels of income and well-being.

How The Countries Rank

Source: The 2011 Legatum Prosperity Index

The Legatum Prosperity Index assesses 110 countries, accounting for over 90 percent of the world's population, and is based on 89 different variables, each of which has a demonstrated effect on economic growth or on personal wellbeing. The Entrepreneurship & Opportunity List is based on a strong entrepreneurial climate in which citizens can pursue new ideas and opportunities for improving their lives leads to higher levels of income and wellbeing.



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World Rankings from independent bodies also demonstrate the attractiveness of the U.S. Economy.

For example the 2011 Prosperity Index, developed by Legatum, a private international investment organization, ranked the U.S.A. 5th out of 110 countries in Entrepreneurship and Opportunity.

U.S. Ranks #1 in Global Talent Index

Global Talent Index maps the world at 2012

The map uses color to represent thirty countries' overall talent ranking at 2012, indicating at a glance how countries score at nurturing talent, from red-hot beds to blue cooler climates.

Global Talent Index scores in 2012 – numbers represent how countries score at nurturing talent



| 2012 rank | country | rank change | GTI 2012 | GTI 2007 |
|-----------|----------------|-------------|----------|----------|
| 1 | United States | 0 | 53 | 52 |
| 2 | United Kingdom | + 2 | 48 | 46 |
| 3 | Canada | - 1 | 47 | 47 |
| 4 | Netherlands | - 1 | 46 | 46 |
| 5 | Sweden | 0 | 45 | 45 |
| 6 | China | + 2 | 44 | 42 |

Source: Heidrick & Struggles and the Economist Intelligence Unit



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The Global Talent Index compiled by the global executive search firm Heidrick & Struggles ranks the U.S. number 1 in the overall talent of its citizens.

Talent and entrepreneurship is a direct result of the high quality university education students receive in the U.S. According to the Academic Rankings of World Universities, U.S. schools hold 154 of the top 500 spots.

That is nearly 4 times as many as the next country.

17 of the top 20 schools are in the U.S. and 53 of the top 100.

The quality runs very deep throughout the educational system. Students at U.S. schools not only have a deep pool of domestic students, but attract a huge number of the top international students.



Now let's spend a few moments on Russian investment in the U.S.

Many leading Russian firms have selected the United States for major investment projects. You will recognize many of Russia's largest companies like Gazprom and Severstal. Many smaller, entrepreneurial companies like Nival and NT-MDT have also decided to have a U.S. presence.

DO NOT READ BELOW – FYI ONLY

TMK IPSCO - one of the world's leading producers of tubular products for the oil and gas industry "OAO TMK". 13 locations in the U.S.

Gazprom – Russian state owned oil and gas producer. World's largest gas producer. Marketing and Trading office in Houston.

Nival – a game developer and publisher of social strategy games, opened a new office in Los Angeles, California.

Lukoil – 500 LUKOIL-branded service stations across Northeastern and Mid-Atlantic United States

NLMK USA – NLMK USA has a diversified base of flat steel producing assets comprising three production sites at NLMK Indiana, NLMK Pennsylvania (formerly, Duferco Farrell) and Sharon Coating, manufacturing slabs, hot-rolled, cold-rolled and galvanized products.

NT – MDT - NT-MDT enjoys a 20-year history in instrumentation created specifically for nanotechnology research, leading the field in originality, quality, and high tech development.

Severstal – Severstal North America is a wholly owned subsidiary of OAO Severstal, Russia's

Russian FDI in the U.S.



#25

...Investor in the United States, by Stock FDI from immediate foreign parent (2010)

\$8.8 billion

Size of Russian FDI stock in the U.S., 2010

12,600

Number of U.S.-based employees of Russian firms, 2009 (most recent available)

\$17.4 billion

Value of assets owned by Russian affiliates in the U.S., 2009 (most recent available)

Source: U.S. Bureau of Economic Analysis

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These investments, both large and small, make up a sizable portion of the stock of foreign direct investment in the U.S. - \$8.8 billion worth.

Russia is the 25th largest investor in the U.S. by stock of FDI according to the latest figures.

Russian FDI in the United States



Recent Greenfield Announcements



Source: fDi Markets

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As I mentioned, the U.S. values investments in the U.S. whether they are large acquisitions by some of the giant Russian multinational firms or smaller investments in research and development by companies like Nival, NT-MDT or TMK. Individual investors will also find opportunities in equities, real estate, and venture capital.

We are here to support investment of all sizes.

Our Role



- Our mission is to encourage, facilitate, and accelerate business investment to create jobs, spur economic growth, and promote American competitiveness
- Geographically neutral in the United States
- Engage in international and domestic business investment
- What we do:
 1. Facilitate Business Inquiries
 2. Act as Ombudsman and Advocate
 3. Connect Investors with State/Local EDOS

Supporting the foreign investor is the main role of Select USA.

When you have an interest in investing in the U.S., the federal government has a number of resources we can offer to you to help you with the investment process.



SelectUSA, both in Washington and through myself and my fellow colleagues here at the U.S. Commercial Service in Russia, can assist Russian firms at virtually every point during the lifecycle of a firm. Here are some specific ways in which we can help:

(Go to next slide to bullets of specific resources)

What We Do: Information Clearinghouse



SelectUSA provides actionable information to foreign firms to help them...

- Incorporate a business in the U.S.
- Understand basic U.S. tax and legal concepts
- Learn about incentives available to businesses in the U.S.
- Connect with U.S. state, city, or regional economic development offices to learn about investment opportunities
- Apply for a business-related visa

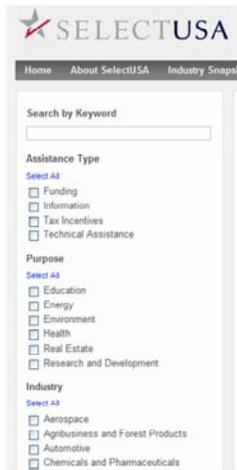
Foreign investors can communicate with SelectUSA by phone or email in Washington, DC, or with our local [U.S. Commercial Service](#) office in Moscow and St. Petersburg.

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- Connecting you with local or state resources for investment opportunities and incentives
- Developing relationships between you and industry associations for industry-specific information and potential business partners
- Identifying and working to remove barriers to success in cooperation with federal agencies
- Helping you locate federal programs and incentives for business retention and expansion
- and Providing information on U.S. policies to help you comply with regulations in setting up and operating your business

SelectUSA Services: Information Clearinghouse



- Research & Development Tax Credit
- SBIR Funding Opportunities
- Renewable Energy Tax Credit
- DOE Loan Guarantee Program
- ARPA-E Funding Opportunities
- Updated Guide Available at selectusa.gov
- Contact Invest in America with questions



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Russian-owned companies in the United States are considered equal to U.S.-owned firms. This means, in practical terms, that they are entitled to the same federal government programs to support their growth in the U.S. market. We encourage you to visit the SelectUSA web site at www.selectusa.gov in order to search the many state and federal programs that provide you tax credits and other advantages to help you make your investment decision.

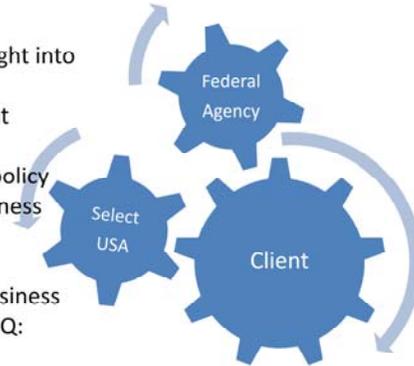
SelectUSA Services:

Ombudsman Assistance



SelectUSA works across the federal government on a case-by-case basis to:

- Address foreign investor concerns and issues
- Connect with a federal agency/office to seek insight into a specific case
- Offer direct communication between the relevant federal agency and the client
- Identify federal regulations or processes to U.S. policy makers, that may negatively impact the U.S. business climate



The SelectUSA Ombudsman function is considered business sensitive and administered strictly by the SelectUSA HQ:

- SelectUSA does not share company information
- SelectUSA may report on the types of federal regulations, countries, industry sectors and other aggregate information about cases to determine the efficacy of its ombudsman function

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Finally, SelectUSA acts as your partner when addressing investor concerns and issues through its ombudsman function. This is, I think, the most valuable service that SelectUSA offers. The SelectUSA staff can provide direct communication between you and federal agencies when you come up against policies that are confusing to you or hindering your ability to invest in the U.S.

All communications between you and SelectUSA are considered sensitive, business confidential information and will not be shared with other business parties.

Thank You



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To summarize, the U.S. is the world's preferred investment destination because of its business-friendly policies and protections it provides investors. The resources we provide to you through SelectUSA can help you cut through the bureaucracy as you make your financial decision.

Also, it is important to know that you have a local contact who can help you interact with SelectUSA and economic development organizations. His contact information is found on the screen.

Thank you again for your time, and we look forward to assisting you with a successful venture in the U.S.